

FINANCIAL TIMES

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World Business Newspaper <http://www.FT.com>

MONDAY SEPTEMBER 2 1996

Builders challenge pan-German deal on wage equality

East German building employers unilaterally cancelled a pan-German wage agreement in an unprecedented challenge to the principle of wage equality between the east and west. The Federation of the German Building Industry cited the collapse in east German building activity as the main reason for the cancellation. East German building workers are paid 92 per cent of west German levels. This was due to go up to 95 per cent in October. Page 2

Israel expects talks breakthrough: Israeli foreign minister David Levy said he expects a breakthrough in the stalled Middle East peace talks as a summit between prime minister Benjamin Netanyahu and Palestinian leader Yasir Arafat appeared imminent. Page 4

Lebed seeks backing for peace plan: Russian national security chief Alexander Lebed will today seek support in the Kremlin for his deal to end the war in Chechnya. Page 18

Philippines growth rate surges: The Philippines looks likely to reach the growth rates of the Asian "tiger" economies, economists said, after figures showed gross national product growth accelerating to 7.1 per cent in the first half of 1996. Page 18

Advanta seeks more work in UK: German property company Advanta Management, which is controlled by Lönarho chief executive Dieter Bock, is searching for property developments in the UK in anticipation of the completion in the spring of its London office scheme. Page 15; Lex, Page 18

Flemings defends Hong Kong links: UK investment banking group Flemings insisted its links with Jardine Fleming, Hong Kong's biggest fund manager, remained strong, despite its repatriation of management of \$700m (\$1.1bn) of investment funds to Britain. Page 19

NK chief justice may seek top post: Hong Kong chief justice Sir Ti Liang Yang emerged as a potential candidate for the job of chief executive of the territory's post-colonial government. Front runner for the job is shipping tycoon Tung Chee-hwa. Page 3

Aérospatiale reveals Airbus profits: Aérospatiale of France said it made an operating profit of FF1.08bn (\$214m) from its Airbus activities last year, up from FF734m in 1994. The company is the first partner in Airbus Industrie to reveal profits from the aircraft manufacturing consortium. Page 21; Air show site 'will still be showcase', Page 8

Swissair cuts losses: Swissair, Switzerland's national airline, which is struggling to cut costs, reported a sharp drop in first-half net losses to SF761m (\$42.8m). Page 21

Commercial TV for Slovakia: Central European Media Enterprises, US pioneer of commercial television in east Europe, strengthened its hold on the sector with the launch of a station in Slovakia, which had the fastest growing economy in central Europe last year. Page 19

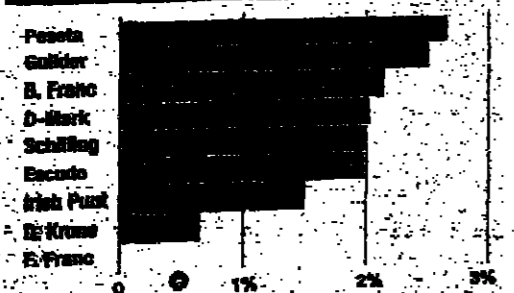
Damon Hill dropped: The Williams Formula One motor racing team said it would not renew Damon Hill's contract, saying the decision was not connected with the 35-year-old British driver's call for a pay rise to \$2m (\$1.4m) a year. Hill who is leading this year's world championship, said he was "very disappointed". German Heinz-Harald Frentzen is expected to replace him.

England beat Moldova 3-0 in a World Cup qualifying football match. Goalscorers were Nicky Barnby, Paul Gascoigne and captain Alan Shearer. It was Glen Hoddle's first game as manager.

England take cricket series: Pakistan won the final Texaco Trophy international with just two balls to spare at Trent Bridge, Nottingham, but England took the series 2-1. Pakistan scored 247-5 in reply to England's 248.

European Monetary System: The French franc remained the weakest currency in the EMS grid last week, as the Belgian franc, the German D-Mark and the Austrian schilling gained strength. The positions of all the member currencies were stable throughout the week. Currencies, Page 25

EMS: Grid



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

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Alaska	US\$ 275	Qatar	Q.R. 1.5	Ukraine	UAH 16.00	Costa	CR\$ 10.00
Algeria	DA 200	Qatar	Q.R. 1.5	Ukraine	UAH 16.00	Costa	CR\$ 10.00
Angola	1000	Qatar	Q.R. 1.5	Ukraine	UAH 16.00	Costa	CR\$ 10.00
Argentina	1000	Qatar	Q.R. 1.5	Ukraine	UAH 16.00	Costa	CR\$ 10.00
Australia	A\$ 1.50	Qatar	Q.R. 1.5	Ukraine	UAH 16.00	Costa	CR\$ 10.00
Bahrain	B.D. 1.00	Qatar	Q.R. 1.5	Ukraine	UAH 16.00	Costa	CR\$ 10.00
Belgium	B.F. 100	Qatar	Q.R. 1.5	Ukraine	UAH 16.00	Costa	CR\$ 10.00
Brazil	R\$ 1000	Qatar	Q.R. 1.5	Ukraine	UAH 16.00	Costa	CR\$ 10.00
Canada	CA\$ 1.00	Qatar	Q.R. 1.5	Ukraine	UAH 16.00	Costa	CR\$ 10.00
Chile	CLP 1000	Qatar	Q.R. 1.5	Ukraine	UAH 16.00	Costa	CR\$ 10.00
China	Y\$ 1000	Qatar	Q.R. 1.5	Ukraine	UAH 16.00	Costa	CR\$ 10.00
Colombia	COP 1000	Qatar	Q.R. 1.5	Ukraine	UAH 16.00	Costa	CR\$ 10.00
Costa Rica	CR\$ 10.00	Qatar	Q.R. 1.5	Ukraine	UAH 16.00	Costa	CR\$ 10.00
Cuba	CUP 1000	Qatar	Q.R. 1.5	Ukraine	UAH 16.00	Costa	CR\$ 10.00
Czech Rep.	CZ\$ 1000	Qatar	Q.R. 1.5	Ukraine	UAH 16.00	Costa	CR\$ 10.00
Denmark	D\$ 100	Qatar	Q.R. 1.5	Ukraine	UAH 16.00	Costa	CR\$ 10.00
Egypt	E\$ 1000	Qatar	Q.R. 1.5	Ukraine	UAH 16.00	Costa	CR\$ 10.00
France	F\$ 100	Qatar	Q.R. 1.5	Ukraine	UAH 16.00	Costa	CR\$ 10.00
Germany	M\$ 100	Qatar	Q.R. 1.5	Ukraine	UAH 16.00	Costa	CR\$ 10.00
Greece	Dr\$ 1000	Qatar	Q.R. 1.5	Ukraine	UAH 16.00	Costa	CR\$ 10.00
Hong Kong	H\$ 100	Qatar	Q.R. 1.5	Ukraine	UAH 16.00	Costa	CR\$ 10.00
India	Rs\$ 1000	Qatar	Q.R. 1.5	Ukraine	UAH 16.00	Costa	CR\$ 10.00
Indonesia	Rp\$ 10000	Qatar	Q.R. 1.5	Ukraine	UAH 16.00	Costa	CR\$ 10.00
Italy	L\$ 1000	Qatar	Q.R. 1.5	Ukraine	UAH 16.00	Costa	CR\$ 10.00
Japan	Y\$ 1000	Qatar	Q.R. 1.5	Ukraine	UAH 16.00	Costa	CR\$ 10.00
Korea	W\$ 1000	Qatar	Q.R. 1.5	Ukraine	UAH 16.00	Costa	CR\$ 10.00
Malaysia	M\$ 100	Qatar	Q.R. 1.5	Ukraine	UAH 16.00	Costa	CR\$ 10.00
Mexico	P\$ 1000	Qatar	Q.R. 1.5	Ukraine	UAH 16.00	Costa	CR\$ 10.00
Netherlands	Fl\$ 100	Qatar	Q.R. 1.5	Ukraine	UAH 16.00	Costa	CR\$ 10.00
New Zealand	N\$ 100	Qatar	Q.R. 1.5	Ukraine	UAH 16.00	Costa	CR\$ 10.00
Norway	Nkr\$ 100	Qatar	Q.R. 1.5	Ukraine	UAH 16.00	Costa	CR\$ 10.00
Poland	Z\$ 10000	Qatar	Q.R. 1.5	Ukraine	UAH 16.00	Costa	CR\$ 10.00
Portugal	Esc\$ 1000	Qatar	Q.R. 1.5	Ukraine	UAH 16.00	Costa	CR\$ 10.00
Romania	Lei\$ 10000	Qatar	Q.R. 1.5	Ukraine	UAH 16.00	Costa	CR\$ 10.00
Russia	R\$ 1000000	Qatar	Q.R. 1.5	Ukraine	UAH 16.00	Costa	CR\$ 10.00
Spain	P\$ 1000	Qatar	Q.R. 1.5	Ukraine	UAH 16.00	Costa	CR\$ 10.00
Sweden	S\$ 100	Qatar	Q.R. 1.5	Ukraine	UAH 16.00	Costa	CR\$ 10.00
Switzerland	Sfr\$ 100	Qatar	Q.R. 1.5	Ukraine	UAH 16.00	Costa	CR\$ 10.00
Taiwan	N\$ 100	Qatar	Q.R. 1.5	Ukraine	UAH 16.00	Costa	CR\$ 10.00
Thailand	B\$ 100	Qatar	Q.R. 1.5	Ukraine	UAH 16.00	Costa	CR\$ 10.00
Turkey	L\$ 1000000	Qatar	Q.R. 1.5	Ukraine	UAH 16.00	Costa	CR\$ 10.00
USA	\$ 1.00	Qatar	Q.R. 1.5	Ukraine	UAH 16.00	Costa	CR\$ 10.00
UK	£ 1.00	Qatar	Q.R. 1.5	Ukraine	UAH 16.00	Costa	CR\$ 10.00

UN acts to delay Baghdad oil-for-food deal ■ Clinton puts Gulf forces on alert

US warns Iraq over 'safe haven'

By John Barham in Zakho, northern Iraq, Foula Khalef in Tripoli and Jurek Martin in Washington

The US prepared yesterday to send a negotiating team including senior Pentagon figures to the Middle East, and warned of unspecified further actions if Iraqi troops were not withdrawn from the Kurdish city of Arbil. President Bill Clinton put US forces in the Gulf on alert after Iraqi President Saddam Hussein sent up to 40,000 Iraqi troops into the Kurdish "safe haven". Mr Boutros Boutros Ghali, the United Nations secretary-general, said yesterday he would delay implementing UN resolution 986 which would allow Baghdad to sell limited quantities of crude in return for food and medical supplies. The "oil-for-food" deal had been due to take effect shortly after lengthy negotiations. The main victim of the assault, Mr Jalal Talabani's Patriotic Union of Kurdistan (PUK), urged the US and other Gulf war allies to use force to stem the Iraqi attacks. Iraq says it launched the assault at the invitation of the PUK's rival, the Kurdish Democratic Party (KDP) of Mr Masoud Barzani. Baghdad also



An Iraqi Kurd (right) gives the victory sign with other Iraqis during a Baghdad demonstration following Iraq's attack. *Picture: Reuters*

alleged that Iran was helping the PUK. Mr Leon Panetta, White House chief of staff, said there was a difference between Iraq's invasion of Kuwait in 1990, which prompted the Gulf war, and "engaging in an internal dispute with the Kurds, in which one of the Kurdish parties has indicated they invited Saddam Hussein in." But he added "we have made clear [to the Iraqi president] you do not use force and we will respond accordingly."

Arbil, a PUK stronghold since 1994, is the capital of the safe haven set up in 1991 by western troops, who later left air forces based in Turkey to enforce a no-fly zone. Contradictory reports emerged yesterday from the Kurdish enclave. Western military observers in northern Iraq said reports of heavy Iraqi involvement in fighting for Arbil were "greatly exaggerated". One officer said: "If reports of heavy shelling in Arbil were correct, hospitals would be overflowing with casualties. But they are not. I think that Saddam's troops stayed out of the fighting and let Barzani's men get on with it." However, one US aid worker said "hundreds of Iraqi tanks" were at Arbil. In London the Iraqi National Congress, an opposition group to which both Kurdish parties belong, said Iraqi troops were looting its houses and offices in Arbil, and had executed 96 of its soldiers at Qoshtapa, 22km fur-

Chirac and Kohl move to dispel Emu delay rumours

By Wolfgang Mihschou in Frankfurt and David Owen in Paris

Chancellor Helmut Kohl of Germany and President Jacques Chirac of France last night sought to dispel rumours of a possible delay in the start of European monetary union, reaffirming their commitment to the single currency. At a summit meeting in Bonn, both leaders insisted their countries would meet the economic qualifying criteria for the single currency. Mr Chirac said his government was due to present new economic data shortly. It would show that "we fulfil the Maastricht criteria and that will eradicate all final doubts and scepticism". He added that "the Germans and the French will be at the same rendezvous at the same time and under the same conditions". His comments sought to alleviate increased doubts in financial markets that France might not be able to meet the criteria in time, and that Germany would have to struggle to meet the criteria. Mr Kohl said both countries were "determined... to meet the Maastricht criteria". Financial markets have appeared increasingly sceptical in recent weeks about the French government's ability to cut its general financial deficit to 3 per cent of gross domestic product in 1997, in line with the convergence criteria for monetary union, without provoking another damaging burst of social unrest. The franc last week touched a five-month low against the D-Mark and the Paris stock market has been weak. Mr Chirac yesterday reiterated France's longstanding concerns over the potential of competitive devaluations by countries that choose not to join the single currency. His call underlines similar concerns in Germany and elsewhere in Europe, which has given rise to calls for an

UK gives go-ahead for \$62bn Eurofighter

Government commits £1.5bn to install production facilities for new combat jet

By Bernard Gray in London

Ministers will announce today that the UK is ready to go ahead with production of the £40bn (\$62.4bn) Eurofighter advanced combat jet. The decision means the Ministry of Defence is prepared to spend £1.5bn to install production facilities. The announcement is due to be made at the opening of the Farnborough air show - the first time Eurofighter is to fly at Farnborough in southern England. It follows the first successful test flight of the two-seat Spanish Eurofighter prototype, code named DAS, last Saturday. Britain's decision follows months of negotiation between the governments of the UK, Germany, Italy and Spain, and the manufacturers of the jet, over pricing for initial production of the aircraft. The four main contractors, British Aerospace, Daimler-Benz Aerospace, Alenia of Italy and Casa of Spain, revealed prices below previously indicated levels, allowing a quick approval of the process by the UK. A formal go-ahead for this production investment phase will await similar announcements from the other partner governments, which are expected to give their approval this autumn. A memorandum of understanding to cover the spending of \$4bn on tooling and production lines across the four countries should follow. Britain's £1.5bn will be channelled through BAE, which will pass about 75 per cent of this sum on to subcontractors. The only hitch could come in Germany, where funding for the Eurofighter programme needs to be approved by powerful parliamentary committees that have opposed the aircraft in the past. The squeeze on German defence spending, as the country tries to meet the criteria for economic and monetary

union, means other defence programmes may have to be axed to accommodate spending on Eurofighter, increasing pressure on the committees. Such pressure has led to German suggestions that Eurofighter production should be postponed by a year, but Daimler-Benz Aerospace has made it clear that it regards early Eurofighter production as essential to its profitability. Other Eurofighter partners, particularly Britain, are keen to produce the aircraft as quickly as possible to maximise its export prospects. Eurofighter is currently scheduled to enter service with Britain's Royal Air Force in 2002, but will not have full squadrons operating until 2005. The US plans to have its cheap new Joint Strike Fighter in service by 2010, leaving a narrow gap for Eurofighter before it is challenged by new sophisticated aircraft. As a result, studies are under way to accelerate Eurofighter production. According to a report last month by the National Audit Office, the UK's public spending watchdog, Britain will spend £11.8bn on producing 250 Eurofighters for the RAF, having already committed \$4.1bn to develop the aircraft.

Dispute threatens IMF's plan for \$50bn credit line

By Robert Chote in Jackson Hole, Wyoming

Plans to establish a \$50bn credit line for the International Monetary Fund to draw upon in the event of Mexican-style financial crises are being hampered by a disagreement over who should oversee the use of the money. Senior officials representing more than 20 countries are due to discuss the so-called "new arrangements to borrow" at a meeting in Paris later this week. Some fear the disagreement could make it impossible to finalise details in time for approval at the IMF's annual meeting later this month. In May it was agreed that the existing "general arrangements to borrow" (GAB) should remain in place, under which the IMF can borrow up to around \$28bn from members of the Group of Ten leading industrial countries, plus Saudi Arabia. This will now be used to offer help, if required, to the G10 countries themselves: the US, Japan, Germany, France, Italy, the UK, Belgium, Switzerland, Sweden and the Netherlands. Under the new arrange-

ments, the contributors to the GAB - plus around 12 extra participants - will put up about \$50bn which could be used to boost the IMF's finances in the event crises such as the one that followed Mexico's devaluation at the end of 1994. If the original and new arrangements were activated together to help a G10 member, the total amount available would still not be more than \$50bn. The non-G10 countries most likely to sign up as potential contributors to the new arrangements are Austria, Denmark, Finland, Norway, Spain, Luxembourg, Australia, South Korea, Malaysia, Thailand and Singapore. Other possible signatories include Chile and Saudi Arabia, which has associate status in the GAB. Most G10 countries want the new arrangements to be overseen by a tripartite secretariat, comprising the IMF, the Basle-based Bank for International Settlements and the Organisation for Economic Co-operation and Development's Working Party



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Builders challenge pan-German wage agreement

By Wolfgang Münchau in Frankfurt

East German building employers have unilaterally cancelled a pan-German wage agreement, in an unprecedented challenge to the principle of wage equality between the east and west.

The Federation of the German Building Industry, one of two main employers' groups in the industry, has pulled out of a multi-annual agreement to equalise wages by 1997 without notice.

The government and trade unionists have favoured equal pay and working conditions as a means to speed the process of unification. Critics, however, claim that this policy has caused a strong rise in east German unemployment.

German building employers and IG Bau, the building workers' union, last year agreed on a three-year plan of wage equalisation. East German building workers are currently paid 92 per cent of the west German levels.

The rush to cut costs was triggered by the deepest recession in the German building industry since the second world war, as public-sector budget cuts triggered a fall in public-sector building activity. In addition, the pent-up demand for new housing in eastern Germany has vanished.

Total employment in the east German building industry has fallen by 14 per cent to 400,000 over the last year. At the same time the number of foreign building workers has gone up from 45,000 to 75,000.

Self-confident Bonn starts to flex diplomatic muscles

By Peter Norman in Bonn

Late August and early September are always a trying time in Bonn. The city, rarely given to excitement, has problems shaking off its summer torpor.

France. This morning, he meets Swiss President Jean-Pascal Delmouaz. Between the visits to Ukraine and Russia will be talks in Bonn with Mr Yevgeny Primakov and Mr Warren Christopher.

Mr Volker Rühe, the German defence minister, favours an extension of the mandate for German troops in future peacekeeping missions in Bosnia.

Germany as its advocate in the European Union and Nato. Germany's ties with Russia are close: officials last week spoke of Russia and the US in one breath as Germany's "partners".

ber, making remarks that would have been unthinkable nine months ago. While the talks in Kiev will centre on trade (Mr Kohl will be accompanied by a big delegation of business leaders) and the risks surrounding the Chernobyl nuclear power station, Germany will not duck the sensitive issue of seeking a return of art treasures taken to Ukraine by a victorious Soviet Union.

Bosnia city puts trade before nationalism

Laura Silber reports from multi-ethnic Tuzla

Behind the minaret of an old wooden mosque climbs the spire of a Serbian Orthodox church, stark against the towers of Tuzla's socialist high-rises. In the run-up to Bosnia's first post-war elections, this industrial city is striving to buck the nationalist trend in the war-torn country.

For the pragmatic Mr Beslagic, Tuzla's future lies in re-starting its flagging industry and trading with its neighbours. Mrs Mevlida Kunosic-Vilic, a candidate for the UPSSD, puts it simply: "We have normal candidates who want to solve people's problems."

Force (Ifor), the city seems secure. Tuzla's future depends not only on the outcome of elections, but on the resolution of the status of the Serb-held city of Brcko, whose fate is to be decided by international arbitration by the end of the year.

Force (Ifor), the city seems secure. Tuzla's future depends not only on the outcome of elections, but on the resolution of the status of the Serb-held city of Brcko, whose fate is to be decided by international arbitration by the end of the year.

Catalans head for Madrid with nut protest

By David White in Madrid

The protests have been going on for 32 weeks - barricades set alight on roads, streets blocked by tractors, a factory half-destroyed, and since the middle of last month a sit-in in the fortress-like cathedral of Tarragona in north-eastern Spain.

The Tarragona region is where most of Spain's hazelnuts are grown, a tradition going back to the Greeks. The sector has been in crisis since the late 1980s. Imports from Turkey, which controls 70 per cent of the world market and has lower production costs, have brought a price slump.

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Hong Kong chief justice eyes top post

مكتبة الاصل

Hong Kong's chief justice eyes top post

By John Ridding in Hong Kong

The contest to head Hong Kong's post-colonial government has intensified following the emergence of Sir Ti Liang Yang, the chief justice, as a potential candidate for the job of chief executive.

A senior Beijing adviser, Mr Xu Simin, said at the weekend that he would nominate Sir Ti Liang to oppose Mr Tung Chee-hwa, the shipping tycoon and the front-runner for the post. Sir Ti Liang has not confirmed his candidacy, but Mr Xu said the territory's top judge had agreed to stand.

The surprise move presents a potentially strong rival to Mr Tung, who has emerged as favourite for the post despite an apparent reluctance to take on the highly sensitive job. With Beijing planning to finalise the selection by the end of November, it challenges the view that the outcome is already decided, raising the prospect of a two-horse race.

Political analysts said Sir Ti Liang's candidacy may reflect concerns among some businessmen about having a chief executive from their ranks.

"It is not that C.H. [Tung Chee-hwa] has powerful enemies, but there are those who prefer an independent figure without business connections," said one political commentator, referring to the backing for Mr Tung from Mr Li Ka-shing, one of

the territory's most prominent tycoons.

In Hong Kong, the most popular figure for the post is Mrs Anson Chan, head of the territory's civil service. Although Mrs Chan is expected to retain a prominent position in the post-1997 administration, her chances of the top job appear to have been compromised by her long service with the British-backed administration.

The challenge of Sir Ti Liang divided opinion. Mr Allen Lee, head of the pro-business Liberal party gave his backing to Mr Tung and urged him to declare his hand.

But Mr Tsang Yok-sing, head of the pro-Beijing Democratic Alliance for the Betterment of Hong Kong, welcomed a candidate from outside the business community and the prospect of a contest for the post.

Sir Ti Liang, 67, was Hong Kong's first Chinese chief justice when he was appointed in 1983.

The Hong Kong government has cut its economic growth forecast for 1996 from 5 per cent to 4.7 per cent in real terms, writes Louise Lucas in Hong Kong.

The widely tipped revision follows a number of downgrades by private sector economists: in July both Hongkong Bank and Hang Seng Bank, the territory's two biggest banks, cut their forecasts from 4.8 per cent to 4.6 per cent and 4.5 per cent respectively.

Chinese look to PC 'clones'

By Paul Taylor

Local personal computer "clone" assemblers, using commodity-priced components, took 44 per cent of China's rapidly growing PC market last year, according to figures released by International Data Corporation, the market research firm.

The IDC figures put the size of the market for PCs at 1.52m units last year and 2.19m this year. By the end of the decade IDC predicts the Chinese market will have grown to 7.48m units.

Most analysts expect the world-wide market for PCs to grow from around 60m units this year to about 200m by the year 2000.

"Our research shows just how successful local assemblers have been in penetrating the more price-conscious segment of China's PC market," said Mr Dennis Philbin, managing director of IDC's Asia-Pacific operations. "It is clear the leading brands are only playing in half the market."

Most of the leading western PC manufacturers, including Compaq Computer, the world's largest PC maker, have established operations in China aimed at serving the domestic market as well as building for export.

China's home and small office markets have enormous potential, according to IDC.

These segments of the market are overwhelmingly dominated by local assemblers, according to IDC.

"The leading PC vendors will have to explore new pricing strategies to reach their true potential in China," said Mr Philbin.

Sales of Intel's Pentium Pro microprocessor, introduced late last year, have grown faster than any previous microprocessor generation, according to the US chipmaker.

Based on figures from International Data Corporation, sales of Pentium Pro processors in western Europe will reach 288,000 units in the current quarter - the fourth quarter since introduction - compared with sales of just over 40,000 at the same stage for Intel's previous microprocessor generation, the Pentium.

"The Pentium Pro processor is by far the fastest ramping Intel microprocessor generation," said Mr Ian Wilson, Intel's European technology development officer.

"The ramp up in demand gets faster with each new generation."

Japanese boost ties to foreign regulators

By Emiko Terazono in Tokyo

Japan's Ministry of International Trade and Industry (MitI), reacting to the row over the Sumitomo copper trading scandal, has said it will strengthen ties with regulators in the UK and US in order to prevent illegal cross-border commodity transactions.

Although the ministry oversees trading companies and the commodity markets, MitI officials have so far tried to distance themselves from the Sumitomo case, in which the Japanese trading house incurred losses of over \$1.5bn in trades by its former chief copper trader, Mr Yasuo Hamanaka.

MitI officials have denied allegations of prior knowledge of Sumitomo's massive copper trades and have claimed that, as Japan had no copper futures market, there were no laws to apply to Sumitomo and Mr Hamanaka.

Now for the first time, MitI officials will participate in an annual meeting of regulators supervising futures and options trading in financial, securities and commodity markets to be held in Switzerland on September 5.

In the past Japan has sent members of the finance ministry but MitI says it feels the need to participate in the wake of the Sumitomo incident.

MitI officials will also meet commodity regulators of the UK and US to discuss ways to strengthen the supervision of international commodity transactions and to enhance the information flow among regulators.

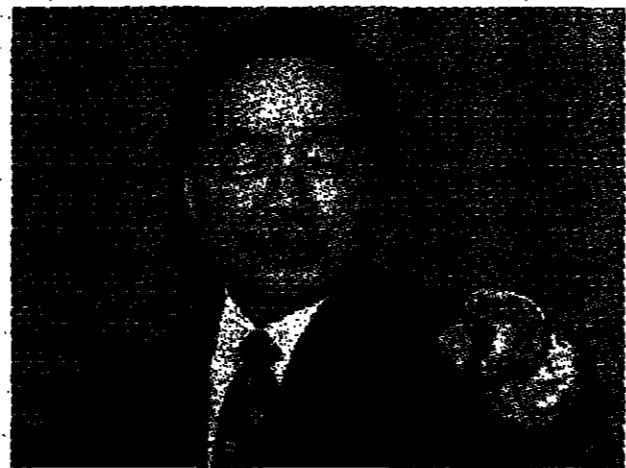
Meanwhile Sumitomo is planning a meeting in London in early September for its overseas managers to bolster internal morale, which has been hit by the copper affair.

Sumitomo, which has hired a 50-strong team including legal and accounting experts from Coopers & Lybrand of the US to investigate the affair, has refused to release information - including to its own employees - until the review has been completed.

Japanese media reports of wrangling within Sumitomo and suggestions that group companies were coming to its financial aid are said to have hit company morale, and while the company is unlikely to yield new information to its managers, it aims to rebuild confidence among its employees.

Kim: militant moderate or civilian dictator?

John Burton on a debate over powers exercised by the South Korean president



President Kim Young-sam: opponents claim recent events have mainly served to strengthen his political power

Is President Kim Young-sam a "militant moderate" who smites violent leftwing students one week and former military dictators the next as he guides South Korea along a stable road to democracy?

Or is he becoming a civilian dictator as the opposition claims?

The trial and conviction of Mr Kim's two immediate predecessors for sedition and corruption and the recent suppression of a student demonstration at Seoul's Yonsei University has triggered a debate about the state of democracy under South Korea's first civilian leader in three decades.

Mr Kim's supporters say such drastic actions were necessary to cleanse the country of authoritarian practices, while his opponents claim that recent events have mainly served to strengthen Mr Kim's political power.

There is little question that Mr Kim has done much to cure South Korea of its political ills. He has placed the military under firm civilian control. He has tried to root out corrupt links between government and big business, while promoting the public accountability of officials. And he has extended the democratic process by allowing local offi-

cial to be elected instead of being appointed by Seoul.

Although Mr Kim has proclaimed that South Korea has become a liberal democracy, it is also true that much of the country's authoritarian infrastructure remains intact. A key weakness is that the country still lacks the checks and balances of a mature western democracy. Immense power resides in the Blue House, the presidential mansion. The role of parliament is weak and primarily obstructionist in nature.

Prosecutors and the courts are susceptible to political pressure. The justice minister, the national police chief, and the head of the supreme prosecutor's office are all old allies of Mr Kim.

The media is free, but self-censorship is widely practiced. Civil liberties are potentially threatened by military-era laws, still on the books, that restrict freedom of speech and association.

As a political dissident, Mr Kim once criticised such laws as the sternly anti-communist National Security

Law. But since taking office in 1993, he has used them frequently.

Almost 250 persons have been arrested so far this year alone under the National Security Law for allegedly pro-North Korean activities. More are expected to be jailed as the government cracks down on student organisers in the wake of the Yonsei demonstration.

Mr Moon Chong-soo, the presidential adviser for judicial and civil affairs, announced last week that the National Security Law will also be applied against "leftist revolutionary forces" engaging in illegal labour activities or instigating labour unrest when the economy is faltering.

This attempt to restore "national discipline" would appear to contradict recent promises by Seoul that it would remove restrictions on labour organising as part of its membership bid for the Organisation for Economic Co-operation and Development, the club of advanced industrial nations.

The recently completed trial of former presidents Chun Doo-hwan and Roh Tae-woo has raised questions about respect for established legal procedures. The

two were prosecuted after parliament approved special legislation abolishing the statute of limitations that would have protected them against charges of sedition and corruption.

Their defence lawyers later resigned in protest against what they claim were hastily executed trial proceedings that could lead to a miscarriage of justice.

Although putting the ex-presidents on trial was popular, legal scholars questioned whether it will undermine the rule of law.

Mr Kim's advisers said the trial was a necessary catharsis to symbolise the country's break with its authoritarian past. But political analysts also noted the trial benefited Mr Kim by consolidating his power. Mr Kim used the trial as an opportunity to take control of the ruling party by purging supporters of his predecessors.

South Korean politics for centuries has been a study in vindictive factionalism and some suspect that the trial was only the latest example of this tradition. Although the trial may have underscored transition to democratic rule, it also

threatens to perpetrate a cycle of political retribution.

None of the six modern presidents have met good ends, having been exiled, overthrown in coups, assassinated or imprisoned. Mr Kim must worry about his fate once his constitutionally-mandated one-term presidency ends in early 1998.

Mr Kim has numerous enemies in the opposition parties, big business and media. The opposition charges that Mr Kim illegally accepted large amounts of money to finance his 1992 presidential election.

There are also allegations concerning financial irregularities involving his son. "We are building files against (the younger) Mr Kim, but we are waiting until the president leaves office," said the editor of one leading newspaper.

Perhaps not surprisingly, the secretary-general of the ruling party recently suggested the presidency be extended beyond one term.

Mr Kim has also stifled internal party debate about who will succeed him, leading to speculation that he wants to hand-pick a successor who will not come gunning for him.

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NEWS: INTERNATIONAL

Talks between Netanyahu and Palestinian leader appear imminent Levy expects peace breakthrough

By Sean Evers in Cairo and Hene Prusher in Jerusalem

Israel yesterday breathed new life into the faltering Middle East peace process after a week of high tension, as a summit between Prime Minister Benjamin Netanyahu and Mr Yasser Arafat, the Palestinian leader, appeared imminent.

On an official visit to Egypt, Mr David Levy, Israel's foreign minister, said he expected a breakthrough in the stalled negotiations between the Israeli government and the Palestinian Authority "this week".

He spoke after briefing

Egyptian president Hosni Mubarak and Mr Amr Moussa, the foreign minister, in Alexandria on negotiations that have been taking place between senior Palestinian and Israeli officials over the last few days.

In Jerusalem Mr Netanyahu, who had earlier insisted he would not meet Mr Arafat unless it was vital for Israel's security, acknowledged he would soon meet the president of the Palestinian Authority. "It will take place based on developments and not on calendar date, and those developments are taking place as we speak," he said.

The Tel Aviv government,

led by Mr Netanyahu's right-wing Likud party, appears to be trying to stave off accusations that its recent controversial actions - ranging from the demolition of a Palestinian community centre in Arab east Jerusalem to the expansion of Jewish settlements in the West Bank - are derailing the peace process.

The government's moves last week prompted Mr Arafat to claim that Israel was declaring war on his people. The Palestinian leader called a half-day general strike in the West Bank and Gaza, the first such stoppage since the intifada, and up to 15,000 supporters later attended

prayers at the Dome of the Rock in a gesture of protest. Despite Mr Levy's upbeat mood in Alexandria, Palestinian and Arab leaders made it clear yesterday they were now looking for concrete action on Israel's part to revive the Oslo peace accord.

The issue was not just a matter of words but of practical action," said President Mubarak, who has warned that a Middle East economic summit due in November might be cancelled if there was no progress. "The implementation on the ground, that is the main issue that Egypt is looking at."

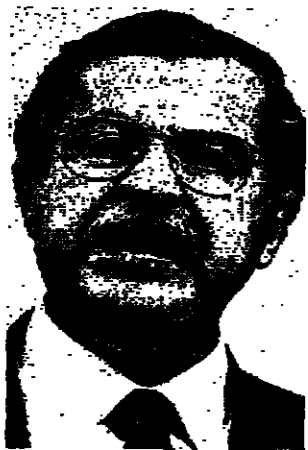
Mr Moussa said that Egypt "could not imagine" the eco-

nomic conference taking place without Israel's withdrawal from the West Bank town of Hebron.

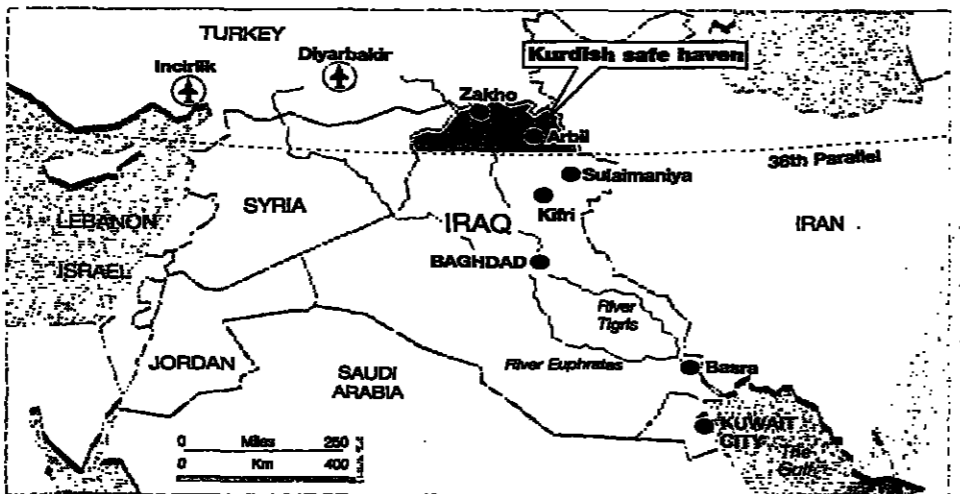
He added: "The waiting time has passed. We are now talking about things that should happen today."

The withdrawal of Israeli troops from most of Hebron, originally scheduled for March, is now five months overdue.

Mr Faissal el Hussein, the top Palestinian official in Jerusalem, also warned that relations between the two sides were now so bad the Palestinians were ready unilaterally to declare an independent state, with Jerusalem as its capital.



Talabani: supported by Iran in fighting last month



Barzani: seems to have felt increasingly cornered

Saddam exploits Kurds' division

Edward Mortimer describes background to latest attacks by Iraqi leader

The Kurds have no friends, according to the most famous Kurdish proverb. In future those who have tried to befriend them may well add, and they are their own worst enemy.

Five years ago, in April 1991, US, British, French and Dutch forces moved into northern Iraq to secure a "safe haven" for the Kurds, who were fleeing from President Saddam Hussein's forces, after the failure of their uprising against him.

The west's conscience had been pricked because the uprising was a direct response to Mr Saddam's defeat in the Gulf war, during which western leaders had called on "the Iraqi people" to rise up and force Mr Saddam "to step aside".

But western intervention was also prompted by strong pressure from the late Turkish president, Turgut Ozal. Turkey already faced a long-running guerrilla war with separatists among its own Kurdish population, and could not cope with the mass of refugees from Iraq.

The west responded by ordering Iraqi forces to withdraw south of the 36th parallel, and declaring Iraq north of that line a "no fly zone"

for Iraqi aircraft, policed by western aircraft based in Turkey.

Mr Saddam avoided any direct confrontation with western forces. He withdrew his own troops from the Kurdish mountains, but kept control of the oilfields around Kirkuk. Western ground troops also soon withdrew, leaving the area under the control of the two main Kurdish political parties, the Kurdistan Democratic party (KDP) led by Mr Massoud Barzani, and the Patriotic Union of Kurdistan (PUK), led by Mr Jalal Talabani.

The two parties were then in alliance, and they continued as a coalition government after elections in June 1992 gave them exactly equal representation in a new Kurdish parliament. But under the surface they remained deeply suspicious of each other.

The parties differ both in their regional base and in the type of society they represent. The KDP has its main strength in the far north of Iraq, while Mr Talabani's base is in Sulaimaniya further south.

The KDP's supporters tend to be the more rural and tribal Kurds, motivated by

dynastic loyalty, while the PUK's tend to be urban and modern. The schism goes back to the late 1980s, when the politburo of the KDP, then led by Mr Talabani's father-in-law Ibrahim Ahmad, quarrelled with Mr Barzani's father, then the party's charismatic leader.

The Iraqi Ba'athist regime has always exploited the split, making truces or alliances first with one side, then with the other. Only its vicious onslaught on the Kurds at the end of the war with Iran in 1988, which included mass deportations and chemical attacks on villages, temporarily united the two factions.

Even in the "safe haven" was being set up, Mr Barzani lingered long in Baghdad, vainly seeking an agreement with Mr Saddam. He was always less ready than Mr Talabani to trust the west, probably because he remembered how the Shah of Iran, backed by the US, had betrayed his father and reached agreement with Mr Saddam at Algiers in 1975, causing the collapse of an earlier Kurdish uprising.

The fragile alliance between the two leaders gradually broke down after

1992, as they competed for control of the safe haven under a double blockade: the whole of Iraq was subject to UN sanctions, but at the same time Mr Saddam withheld supplies from the Kurdish area.

The KDP monopolised the customs revenues on traffic across the Turkish frontier, but the PUK gained the upper hand, including control of Arbil, in a first round of military clashes between the two in 1994.

Last year US and Turkish mediators managed to impose a truce at two meetings in Ireland. But the US, beset by budget problems, failed to follow through with funding for the ceasefire monitors, who were to have been provided by the Iraqi National Congress, an umbrella opposition body to which both Kurdish parties were nominally affiliated.

During this year, Mr Barzani appears to have felt increasingly cornered. Previously he had enjoyed support from both Turkey and Iran, but this had led him into conflict with fellow Kurds from both countries who took refuge in his area. A truce he reached last year with the Kurdistan Workers' party (PKK) alien-

ated the Turks, and this summer he also quarrelled with Iran after Iranian troops invaded northern Iraq to attack a base of the Kurdistan Democratic party of Iran (KDP). Iran apparently retaliated by supporting Mr Talabani in renewed PUK-KDP fighting last month.

Belatedly, the US convened new talks in London on Friday, and another ceasefire was agreed. But Mr Barzani who had long maintained semi-secret contacts with Baghdad, must by then have decided that an alliance with Mr Saddam offered the only hope of regaining Arbil and restoring his family's position as the dominant force in Iraqi Kurdistan.

Bankers fear price stability crusade is a step too far

Robert Chote on inflation debate in the Rocky Mountains

In most industrial countries central bankers have won a hard-fought battle to reduce inflation to modest levels of around 3 per cent. At a gathering high in the Rocky Mountains this weekend, they discussed whether the voters were ready to join them in the final assault - achieving price stability.

The occasion was the annual economic symposium of the Kansas City Federal Reserve, held in Jackson Hole, Wyoming. With its intellectual content leavened by white-water rafting, wagon rides and country music, this has long been one of the most popular fixtures on the policymakers' and academics' circuit.

As befits a group dominated by central bankers and their acolytes, there was little dispute among the participants themselves that price stability was a goal worth fighting for. But with opinion poll evidence in the US showing that the public has not seen inflation as a serious problem for the last 10 years, they were not convinced voters would feel the same.

One problem is that economists find it difficult to explain why inflation should be reduced further, once it has already reached relatively low levels. Inflation makes the economy run less efficiently by obscuring signals consumers and businesses need to spot when prices change relative to each other.

However Mr Stanley Fischer, deputy managing director of the International Monetary Fund, reminded the symposium there was no clear evidence that reducing inflation from the levels seen currently in industrial countries would make living standards grow any faster.

But Mr Fischer maintained that central banks should still reduce measured

rates of inflation to between 1 and 3 per cent and try to keep them there. This probably amounted to true price stability, in part because price indices were slow to capture changes in spending patterns and quality improvements. He added, however, that many European economies probably had scope to reduce unemployment by cutting interest rates without serious risk of inflation.

Several participants in the symposium argued that a low rate of inflation was also more desirable than a zero rate because it allowed central banks to reduce interest rates below the rate of inflation, which might be necessary to dig an economy out of a recession. But others argued that central banks could revive depressed economies without engineering negative real interest rates, for example by intervening to weaken their currencies.

Mr Martin Feldstein, president of the National Bureau of Economic Research, took the toughest line. He argued that it was probably worth eliminating measured inflation entirely, even if this meant the purchasing power of money started to rise.

Mr Feldstein calculated that reducing inflation by 2 percentage points in the US would raise real incomes permanently by 1 per cent, by reducing the extent to which the tax system penalised saving and encouraged over-investment in housing.

Achieving this goal would mean depressing economic activity in the short term and losing about 5 per cent of national output, but these short-term costs would be recouped in five years.

Mr Feldstein's conclusions are still controversial and the Bank of England is only one of a number of organiza-

tions carrying out similar studies in other countries. Mr Joe Stiglitz, chairman of President Bill Clinton's Council of Economic Advisors, pointed out that reducing inflation actually made some of the distortions in the US tax system worse.

There was widespread support for direct targeting of inflation, as practiced in countries such as the UK and Canada, and pioneered most successfully in New Zealand. Mr Jean-Claude Trichet, governor of the Bank of France, and Mr Otmur Issing, the Bundesbank's chief economist, remained loyal to the money supply targets used in their own countries.

But Mr Issing has argued that the putative European Central Bank should adopt both inflation and money supply targets, an idea which Mr Mervyn King, chief economist at the Bank of England, supported.

Mr King also argued that countries should reduce inflation gradually, at least after an early period of rapid disinflation. Limiting the extent to which actual inflation fell below the level expected by businesses and consumers would limit the costs of lost output and higher unemployment.

Most of the symposium participants felt central banks should always be striving to reduce inflation into the authorities' target range. There was little support for the "opportunistic" approach advocated by some economists at the US Federal Reserve - in which policymakers wait for an unforeseen recession or shock to ratchet inflation lower. But that approach might help reduce political opposition to the pursuit of price stability, if it meant the authorities were not seen to be depressing output and employment deliberately.

Ramaphosa adapts to the boardroom

History is littered with businessmen who think they can run nations. More rarely do politicians at their peak opt for a business career.

Four months ago Mr Cyril Ramaphosa stood on the steps of parliament with President Nelson Mandela to present South Africa with a new constitution. As chairman of the Constitutional Assembly it was the culmination of nearly two years' work and the latest in a series of complex negotiations that have changed the face of the nation.

Last week, Mr Ramaphosa, secretary general of the ruling African National Congress and a former trade union leader, was celebrating his decision to quit politics by signing the biggest deal for black business interests in the history of South Africa.



Ramaphosa: 'I'm a novice, but I'm learning quickly'

As lead negotiator for the National Empowerment Consortium (NEC), a group of 63 black companies and trade unions, Mr Ramaphosa had struck a R1.5bn (\$330m) agreement with Anglo American Corporation which will give NEC an initial 20 per cent stake in Johnnic, the industrial and media concern. NEC has an option to purchase another 15 per cent in 18 months.

"Three months ago I had no idea what a price-earnings ratio was. Not the slightest clue," he says, laughing. "It has been a very steep learning curve. I have read a lot, and listened intently. I'm a novice, but I'm learning quickly."

It was the negotiations he enjoyed most, "organising the biggest black empowerment deal in our history, and pitting my skills against people like Julian Ogilvie Thompson [chairman of Anglo American]."

The negotiations, he says, were harder than those with President F.W. de Klerk which charted the country's transition from apartheid to black majority rule. "With Ogilvie Thompson it was tougher, because he could always walk away, whereas de Klerk could not."

"Anglo threatened when the talks were becoming difficult to break off and just unbundled by selling the different parts of Johnnic to prospective black buyers. De Klerk did not have that option."

But Mr Ramaphosa says

he missed the tension that marked the political negotiations. "I suppose because in that political situation there was so much at stake, and so many more people involved. It was the future of South Africa. If the negotiations did not succeed there would be no country."

"Whereas in the negotiations with Anglo I always thought if they failed there would be other opportunities. But there is a saying that dynamite comes in small packages, and I enjoyed the fact we were negotiating about real economic power."

Mr Ramaphosa wants more of it. He has his eyes set on the 48 per cent that Anglo American wishes to sell in JCI Ltd, which has interests in gold and coal mining. "For me the wheel would turn full circle if we can get that," says the man who in the 1990s transformed the National Union of Mineworkers from a group of 6,000 people to an organisation of 340,000.

He is more excited about that possibility than winning control of Johnnic. Mr Ramaphosa, like many others, is convinced that a new system of labour relations is the key to improved profitability for many marginal mines in an ageing industry.

Before that can happen, he has to ensure he can manage tensions involving the NEC. Mr Ramaphosa entered business as deputy executive chairman of New Africa Investments (Nail). "When I became closely involved there were two bids on the table for Johnnic, one by Nail, the other from NEC," says Mr Ramaphosa. "People in NEC were hostile to Nail. They thought Nail was too big, and that it wanted to dominate. Everyone was bound together by just one interest, and that was Johnnic."

"So out of that we had to find a way of presenting a single bid. They approached me to become chief negotiator, and we started tearing down Nail's role. I think we succeeded, and limits have been set for the next 18 months so no group can own more than 12.5 per cent."

Mr Ramaphosa is also well aware of the inherent contradictions of South Africa's unions becoming part owners of companies through the commitment of their pension funds.

"Some of these could even be dangerous contradictions. But I think they will learn to distinguish between their roles, though they are going to have real headaches when it comes to wage negotiations and discussions about profitability. We are in transition and we are experiencing many things for the first time."

Mr Ramaphosa will not reveal why he is leaving politics, retaining only his membership of the ANC national executive. "You'll have to wait for the book," he says. But, at the start of his business career, Mr Ramaphosa is already a businessman who thinks he knows how to run a country.

Roger Matthews

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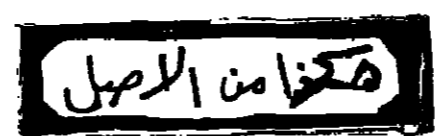
Look at some of the other call centres who are already established on Merseyside: Barclays Direct Loan Services, NatWest and Swedish company Nitron Justice. And in other sectors, Ford, General Motors, Kodak and Sony continue to succeed.

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NEWS: THE AMERICAS

Rebel attacks turn up heat in Mexico

The government has been caught off guard by a new guerrilla group, writes Leslie Crawford

Mexico's government is rapidly reassessing a new guerrilla group it initially dismissed as a "pantomime" of "bandits and cattle-rustlers" after having been caught embarrassingly off guard by a wave of attacks last week.

The group continued to skirmish with security forces at the weekend as government officials warned they were dealing with a highly mobile terrorist organisation, capable of striking simultaneously across a third of the country.

The self-styled Popular Revolutionary Army (EPR) began its attacks last Wednesday with co-ordinated moves against military and police outposts, public buildings and power stations in six states, from Oaxaca and Guerrero on the Pacific Coast to the oil state of Tabasco across the isthmus.

More fighting was reported at the weekend in Michoacán and Guerrero, even as security forces moved to protect key installations ahead of President Ernesto Zedillo's state of the nation address yesterday. The EPR claimed responsibility for

attacks on the holiday resorts of Acapulco and Huatulco, on Mexico's Pacific coast, and threatened to strike Cancún, Mexico's top tourist destination on the Caribbean.

"We are facing a small, dedicated group of individuals, a sophisticated urban guerrilla group, not unlike those which plagued Germany and Italy in the 1970s," a senior official said.

He said Wednesday night's attacks - carried out with military precision within minutes of each other - were executed by a "highly disciplined and highly organised terrorist organisation". The offensive left 14 dead, including three civilians.

The EPR was first sighted on June 28 at a ceremony to mark the anniversary of a peasant massacre in the hills of Guerrero. About 60 guerrillas marched into the hamlet of Aguas Blancas sporting brand-new uniforms and guns. They read a manifesto calling for the overthrow of Mr Zedillo's government, fired a volley of shots into the air, and were gone.

The government and opposition parties sought to minimise their importance, but the rebels taunted the gov-

ernment by holding clandestine press conferences - from secret camps in the hills of the Sierra Madre to safe-houses in the heart of Mexico City, driving home the message that they could move across the country with relative ease.

"We are not a pantomime," one EPR commander told the magazine Proceso. "We are a national force, we are everywhere, and we have only employed a minimal part of our strength."

The rebels admitted financing themselves through bank robberies and kidnappings, but denied ties to drug traffickers. They said they represented a coalition of 14 armed revolutionary groups.

In subsequent manifestos, the EPR called for a popular uprising in language laced with Marxist rhetoric. Government officials said this betrayed the movement's origins in the underground revolutionary groups that flourished in Mexico during the 1970s.

Mr Arturo Nuñez, deputy interior minister, accused the EPR last week of being the armed wing of a clandestine group called Procup, two of whose leaders are in

jail for acts of violence in the 1970s. Until this surprising revelation, Procup had been deemed largely extinct. Like most urban guerrilla groups, it sank into obscurity in the 1980s. Mr Nuñez did not explain why Procup should take up arms now.

The government has been so keen to portray the EPR as an isolated group of murderous fanatics that it has even promoted the Zapatista rebels of the southern state of Chiapas to the status of concerned social workers.

Mr Zedillo, who last year launched an unsuccessful hunt for Zapatista leaders before accepting peace talks, said in a TV interview on Friday: "I am the first to recognise the Zapatistas have a social base." The EPR, by contrast, was a "criminal, violent and cowardly organisation," he said.

The two rebel groups share a fondness for media exposure, but have otherwise denied being related.

One obvious difference between the Zapatistas and the EPR is that the southern rebels were never able to break out of Chiapas, while the new guerrillas have dem-

onstrated their ability to stage hit-and-run strikes across a large swathe of Mexican territory.

"Fighting and fleeing... our mobility has not given the Mexican army an open front to attack; it has frustrated their battle plan," Commander "Vicente" told Proceso magazine.

The effort to track down guerrillas across the country is already taxing the limited resources of Mexico's army of 130,000 men. Before the EPR offensive, most of the army had been deployed in Chiapas to keep the Zapatistas in check. But government officials said there were no plans to draft extra conscripts for the counter-insurgency effort, as there was no more money for the military in the budget.

The prospect of a protracted war of attrition frightens many Mexicans.

"It is almost as if there were a conspiracy against Mexico," says Mr Carlos Castillo Peraza, a member of the conservative opposition National Action party. "Each time the country begins to rise above its political and economic problems, something happens to crush us."

Zedillo pledge on poverty and terrorism

By Leslie Crawford in Mexico City

President Ernesto Zedillo yesterday pledged to fight a new guerrilla threat to Mexico's fledgling economic recovery, in a state of the nation address which focused on the need to level social inequalities and raise the living standards of poor rural communities.

"We Mexicans do not



Zedillo: devoted over half his speech to social needs

accept, now that our country is once again on its feet, overcoming hardships and challenges, the appearance of groups that employ terrorism to murder, destroy and intimidate," Mr Zedillo said. He avoided mentioning the Popular Revolutionary Army (EPR), but pledged to avoid human rights abuses in the fight against the new rebel group which launched a bloody offensive last week. The president devoted

more than half his speech to social needs, an implicit acknowledgement that the new guerrillas had found fertile recruiting ground among Mexico's discontented rural and urban poor.

Mr Zedillo said he was dedicating 54 per cent of government spending to social programmes. More children were attending school, the number of free school breakfasts had doubled since 1994, and more schools were being set up in isolated rural communities. School books were being published in 44 indigenous languages, he said.

He said the government would launch a pilot programme to target malnutrition, mother-and-child health, and basic education in Mexico's indigenous communities. "If results of the programme are satisfactory, it will be extended to cover 3m of our poorest families by the year 2000," the president said.

Mr Zedillo said he would maintain Mexico's floating exchange rate regime in 1997, as well as fiscal and monetary discipline. He said the country would meet its 3.5 per cent growth target in 1996 - the economy grew by 3 per cent in the first six months - and forecast economic growth of 4 per cent in 1997. A large part of fiscal resources would continue to be devoted to the cost of rescuing the banking system from financial collapse.

Clinton, Dole set out stalls to US workers

By Jurek Martin in Washington

President Bill Clinton and his challenger Mr Bob Dole today mark the traditional start of the presidential election campaign with Labor Day events designed to emphasise their very different appeals to working Americans.

Mr Clinton, bolstered by two new polls putting his lead back up to about 20 points after last week's Democratic party convention in Chicago, took an early initiative by announcing a 2.3 per cent rise in the pay of white-collar federal employees, effective in January.

This implements the recommendation of his budget presented earlier this year and its timing - Saturday midnight - was a statutory, rather than political, requirement. He may supplement it by a further 0.7 per cent rise later in the year, subject to congressional approval.

However, Mr Dole's case that the income of working Americans has not kept pace with the overall economic recovery was reinforced by a Washington think-tank report released over the weekend. The Economic Policy Institute study concluded that "changes in the economy have been all pain, no gain for most workers." Real average hourly earnings and family incomes last year, it found, were respectively 3 per cent and 5.4 per cent below what they were in 1989.

The report found the hourly earnings of American males fell by 6.7 per cent in

the 1990s to date, similar to the real drop of the previous decade. But it also concluded that women had lost ground, a fall of 1.7 per cent. In the 1980s their pay had risen 5.7 per cent.

It attributed the fall to several factors: the failure of Congress to raise the federal minimum wage since 1989 (remedied only this summer), the loss of high-paid manufacturing jobs (offsetting the creation of new jobs at a record pace), declining levels of trades union membership and downward pressure on pay as a result of global competition.

It also concluded that the rise in corporate earnings on capital, with the profit ratio at a 30-year high, was far more the result of relatively smaller wage burdens than improved productivity or greater investment. Campaigning at a sheet metal plant in Phoenix, Arizona, over the weekend, Mr Jack Kemp, Republican vice-presidential candidate, said "the problem with the American economy is that pay has not kept up with the cost of living." He told an audience more comprised of managers than blue-collar workers that the solution lay not in raising minimum wages but in freeing companies from the excessive burden of government regulation.

Mr Dole, however, avoided the subject in his now regular Saturday radio address, concentrating instead on his most consistent theme of last week - that the Clinton administration had, "through neglect and ineptitude," given up on the war on narcotics.

Power shake-up in California

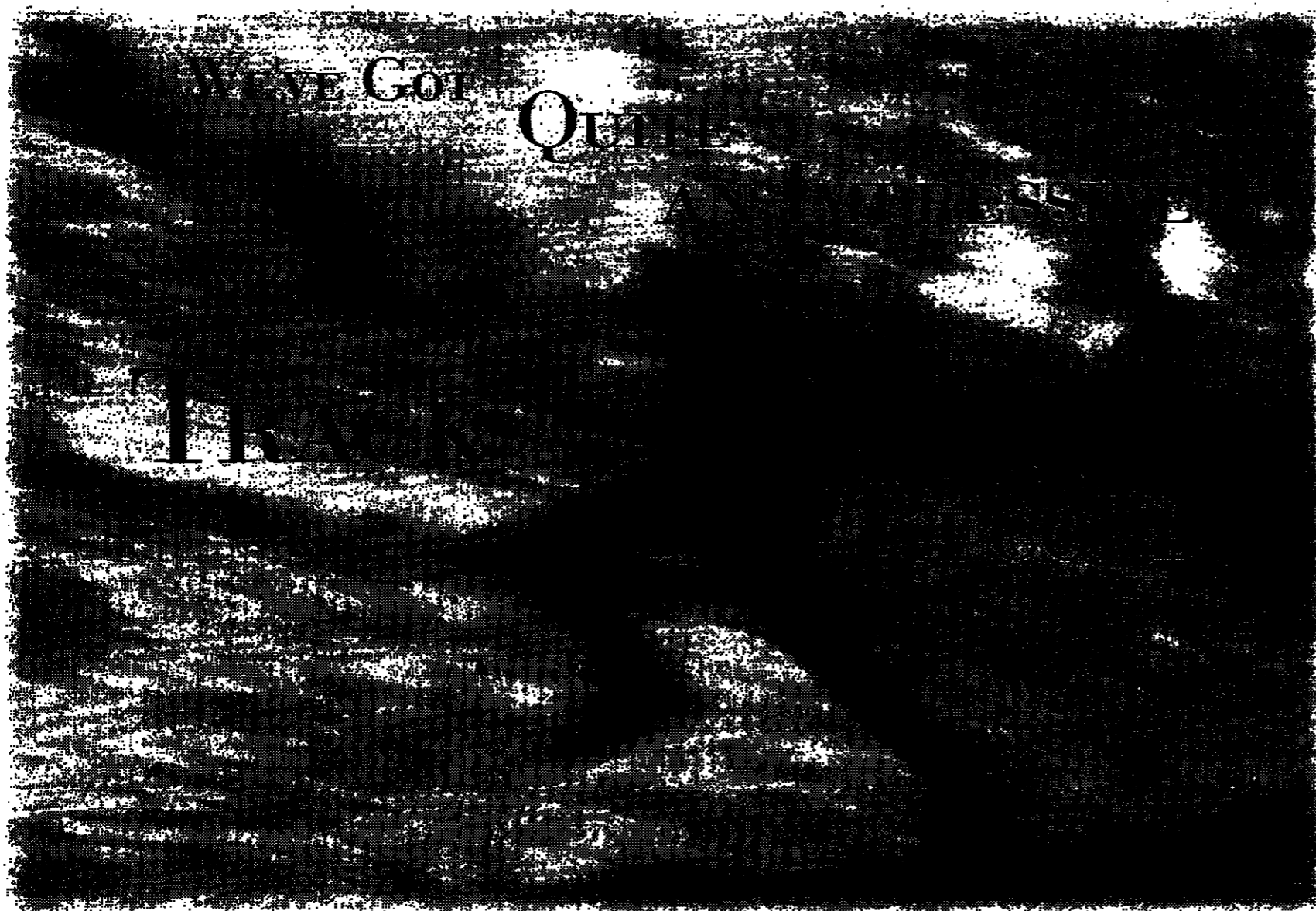
Legislation establishing a free market in California's electricity industry has been approved by the state assembly without dissent, writes Christopher Parkes in Los Angeles. The move will allow businesses to shop for low rates, give most consumers 10 per cent tariff cuts in 1998 and throw into doubt the future of high-cost alternative energy.

Full deregulation is California's response to the 1992 Federal Energy Policy Act, which cleared the way for a national wholesale electricity market - and to complaints about excessive charges. Prices are about 60 per cent higher than the national average.

Despite cross-party unity on the issue, and pre-emptive announcements of impending tariff cuts by the three main generating companies, it may take some years for the full benefits of deregulation to reach consumers.

Until 2002 monthly bills will continue to include special charges to protect the utilities from potential losses on so-called "stranded assets" including unprofitable nuclear power stations. Lengthy delays are also expected before the local market has access to cheap supplies from other states.

Despite concessions to protect alternative sources of power, such as wind, solar and geothermal generation - which cost about 20 per cent more than conventional supplies - environmentalists said their future development had been thrown in doubt by the legislation.



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Millennium Bridge Competition



**Organised by the
Financial Times
in consultation with
Southwark Council
and the
Corporation of London**

The approach of the Millennium gives London the opportunity to create a new pedestrian bridge across the Thames in the heart of the capital. Sited at Bankside (home of the Globe Theatre and the new Tate Gallery of Modern Art) to the south, the bridge will link this developing area with the City of London (and St Paul's Cathedral) to the north.

A competition brief has been prepared following a period of consultation led by the Financial Times. Architects, artists and engineers from throughout the world are invited to submit initial design proposals. A shortlist of up to five entrants will be chosen by an international judging panel, chaired by the Chairman of the Financial Times, to develop their schemes in a second stage. Each shortlisted design team will receive an honorarium of £5,000. The winner will be announced in December.

● **Timetable of Competition**

Closing date for first stage entries:
Wednesday 25 September 1996

The winning design team will be announced in December 1996

● **How to enter**

Competition details are available from: RIBA Competitions, Competitions Office, 8 Woodhouse Square, Leeds, LS3 1AD.
Tel: +44 113 2341335 Fax: +44 113 2426791

There is a non-returnable registration fee of £50 (including VAT) payable to RIBA/Financial Times Millennium Bridge Competition.

All enquiries should be addressed to:
RIBA Competitions Office

● **Judging panel**

The judging panel will be chaired by David Bell, Chairman of the Financial Times and includes architects, engineers and representatives from the local authorities, business and the media.

The judges are: Ana Patricia Botin, President, Banco Santander de Negocios; Michael Cassidy, Chairman of Policy and Resources Committee, Corporation of London; Anna Ford, Broadcaster; Councillor Jeremy Fraser, Leader of Southwark Council; Jacques Herzog, Architect; Frank Newby, Consulting Engineer; Sir Michael Perry CBE, Chairman, Unilever; Sir Philip Powell, Architect and Wilfried Wang, Architect and Director, Deutsches Architekturmuseum.



FINANCIAL TIMES

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Engineering faces apprentice shortage

By Peter Marsh

Britain faces a shortage of engineering apprentices, according to an industry body that is today launching an unprecedented £20m (\$31m) campaign to improve the sector's image.

Yearco, a charity backed by leading engineering companies, wants to dispel what it believes is the common view in Britain that most engineering jobs are dirty and dull, and that most engineers are boring inventors.

More than a fifth of all engineering apprenticeships on offer this year are unlikely to be filled because of difficulties in attracting high-calibre people. Of an estimated 9,000 engineering apprenticeships about 2,000 will not be filled this year, according to a Yearco survey. Industry leaders blame their difficulties on the poor image of engineering and the pressures on 16 and 17-year-olds to stay on at school.

"The problems have increased in the past three years and are going

to cause the industry a lot of damage," said Ms Mary Harris, director-general of Yearco.

A campaign scheduled for next year called the Year of Engineering Success will include thousands of events including trips to oil rigs and demonstrations of robots and satellite imagery.

The engineering industry has total annual sales of about £160bn and employs some 2m people, about half the total manufacturing workforce.

Yearco's findings on apprentices

are based on six months of discussions with companies and training providers. Although engineering companies increasingly want employees with degrees or similar qualifications, apprentices remain an important way for the industry to take on people with lesser qualifications. The problem appears to be particularly acute in small to medium-sized companies in traditional engineering sectors such as metals cutting and components.

"Although we're reasonably happy with the apprentices we're

taking on, we believe the best people may not be coming our way," said Ms Maureen Constantine, human resources manager at the automotive drive line division of GKN, the diversified engineering company.

Sir Christopher Lewinton, chairman of TL one of Britain's biggest engineering companies, warned that the engineering industry would have to do more to recruit "the best brains in Britain" if it was to remain commercially strong.

Targeting a bomber for 21st century

RAF to consider radical options for replacement to the Tornado

In the run up to the Gulf war General Colin Powell, then the top US military commander, graphically described what the allied forces intended to do to Iraq's forces in Kuwait. "First we're going to cut them off," he said, "and then we're going to kill them."

His stinging phrase summarises western military strategy. Modern doctrine says a commander's first job is to disrupt an enemy's ability to fight: by destroying their radar, cutting their communications and sealing off supply routes. Only then does the army move in for the kill.

The UK will push that strategy a step further this month, when the Ministry of Defence begins a study into how to use the air force in the 21st century. The aim will be to find a replacement for the Royal Air Force's Tornado bombers, which will come to the end of their useful lives in about 2015. To achieve that, development will have to start before the end of the decade.

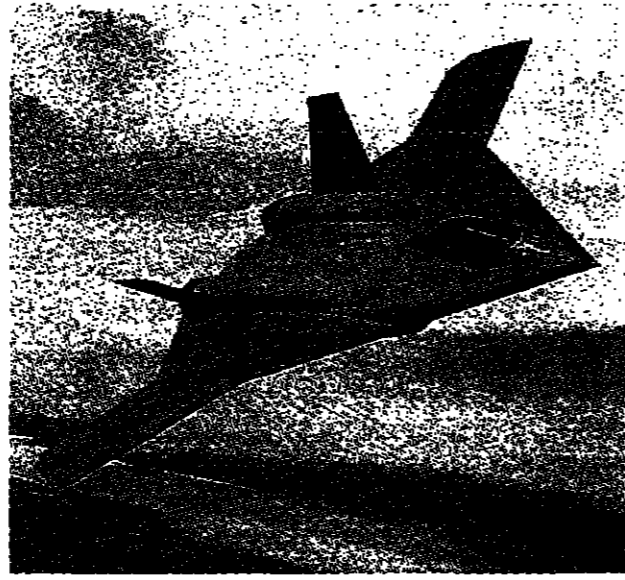
But the replacement for the Tornado may look nothing like a conventional bomber: it could be an

unmanned drone aircraft, a radar-avoiding stealth bomber, or even an "arsenal aircraft", standing well away from enemy territory, carrying racks of cruise missiles.

The MoD will have to think hard about how to destroy enemy defences on a future battlefield. Bombing targets well behind the front line has become more difficult and dangerous as air defences have improved and targets made harder to hit.

Bomber pilots who have to fly directly over their targets are sitting ducks for sophisticated air defences. As a result, air forces are turning to "smart" guided bombs and cruise missiles which allow aircraft to maintain safe distances.

The conventional bomber's vulnerability showed during the Gulf war. High-flying US fighters, surrounded by defensive electronic aids, and using weapons which allowed them to stay away from their targets, sustained low casualties. RAF pilots, given the job of flying over defended airfields, suffered heavy losses. In the first week of the war the RAF flew 4 per cent of allied sorties, but sustained 25 per



Tornado's replacement is likely to use "stealth" technology

cent of the casualties.

At present, the RAF has little option but to rely on the Tornado, which is being given an upgrade to increase its effectiveness. The £800m (\$900m) cruise missile contract, awarded to British Aerospace and Matra last month, will also allow the Tornado to stand back from its target.

But for the next generation of strike aircraft, more radical options are being considered. The most likely is a two-man bomber which makes use of the latest radar-avoiding "stealth" technologies. Stealth aircraft, such as the US Air Force's F-117A, carry a limited weapons load to reduce radar reflections, and are made of radar-absorbing materials.

The RAF believes the role of these stealth bombers will be to deliver munitions

against important targets in the first days of a conflict. Once the enemy's defences were disabled, the aircraft could be loaded with many more bombs carried conventionally under their wings.

The RAF likes this idea, because it preserves the jet pilot's role at the centre of the action. BAe and Dassault of France are already working on some of the technologies which would be needed.

However, there are other ways of tackling the mission. One is to have an unmanned bomber which could be controlled by pilots from safe airspace. US designers believe unmanned drones can be smaller, 30 per cent lighter and half the price of conventional bombers because they do not have to accommodate air crew.

Unmanned aircraft could offer higher performance because current designs are

limited by the forces pilots can withstand.

Another alternative would be to have a large adapted transport aircraft carrying bulk cruise missiles. The US already uses B-52 bombers with rotating racks of Tomahawk cruise missiles. Such an arsenal aircraft could stand well back in friendly territory.

The RAF is not keen on the unmanned drone because it says the technology will not be sufficiently mature for an aircraft entering service in 2015. It is not enthusiastic about the arsenal aircraft either, because, it says, cruise missiles would be an expensive way to destroy some targets.

Yet the costs of developing a new Future Offensive Aircraft for the RAF, even if it were co-funded, could be prohibitive.

Significantly, the US does not seem to be designing an aircraft to fulfil the role.

The RAF argues that the flexibility of having pilots can be important, particularly against mobile targets such as Scud missiles.

US experts reply that pilots are not a panacea and point to the relative lack of success of manned missions in finding Scuds during the Gulf war.

The RAF will have to prove that expensive pilots can justify their place against the falling cost of missiles. BAe seems confident that new development and manufacturing techniques could make small production runs of an FOA affordable. Even so, the RAF has got work to do before it gets its next generation bomber.

Bernard Gray

Air show site 'will still be showcase'

By Frederick Studemann

The UK government has confirmed that the site used for the Farnborough Air Show, which opens today, will continue to be used as a showcase for the British aerospace industry, even though the site is due to be sold by the Ministry of Defence.

The government's decision is a welcome relief for the Society of British Aerospace Companies, the trade association which organises the air show. Farnborough - 75km south-west of London - faces pressure from the bigger Paris air show, the other main gathering point for the international industry, and smaller shows across the world.

A notable absentee at Farnborough this year will be Daimler-Benz Aerospace (Dasa), the aerospace division of Daimler Benz, which for the second time running will not be attending the show. "We believe that in Europe, the Paris air show is clearly the number one event," the company said.

But Farnborough's organisers are upbeat about this year's show. They are optimistic that business done in terms of contracts unveiled will be up on 1994, the last time the show was held, when \$9bn worth of contracts were announced.

UK NEWS DIGEST

Toshiba aims at desktop market

Toshiba, the Japanese electronics group which leads the market for portable personal computers, is to launch a range of desktop machines in the UK and mainland Europe next spring. The UK launch will follow the desktops' introduction to the US later this year.

Toshiba is already a leading manufacturer of such machines in the fast-growing Japanese market, where PC sales have grown from 3m in 1984 to 8m this year. Mr Alan Thompson, director of Toshiba Information Systems' PC division in the UK, said: "Toshiba's strategy is to be in the top five PC vendors by the turn of the century, and in order to achieve that you cannot ignore the consumer market."

Desktops would initially be launched in the UK, Germany and France, which together account for about 60 per cent of the European market, he added. The company has yet to decide on its marketing strategy although he ruled out direct sales and said he thought there was room in the high street retail market for another "well-known brand name". "We do not need to make a lot of money out of this, we think of it as gaining a bigger presence in the volume market," he said.

Like other component makers in the Far East, Toshiba has also recognised that, given the cyclical nature and price volatility of certain markets, for example the market for dynamic random access memory chips, it has become increasingly important to have direct access to the user.

Paul Taylor
Media Futures, Page 11

RUGBY UNION

Top clubs to abandon TV deal

The top 24 English rugby union clubs plan to abandon an existing contract with British Sky Broadcasting and might set up their own England team, they said as they confirmed their breakaway from the control of the Rugby Football Union. The move is a revolution against rugby tradition and follows the sport's move to professionalism a year ago.

Mr Donald Kerr, chairman of the English Professional Rugby Union Clubs, said the clubs would pull out of the £37.5m (\$136.7m) deal the RFU signed with BSkyB. The agreement gives the broadcaster the rights to English international and club rugby over five years. The contract would give them £2m. Mr Kerr said: "We think the clubs don't get a fair deal." They would put a new contract out to a free tender and pull out of deals made by the RFU with Courage, the brewery group, and Pilkington, the glassmaker, which sponsor club rugby.

Simon Kuper

CHANNEL 5

Broadcasting chief is named

Channel 5, the new television channel due to launch at the beginning of January, yesterday appointed Mr David Elstein as chief executive of broadcasting. Mr Elstein is at present head of programmes at British Sky Broadcasting and a former director of programmes at Thames Television. He replaces Mr Ian Ritchie, the channel's first chief executive of broadcasting, who becomes chief operating officer. Mr Elstein was the proposed chief executive of the unsuccessful BSkyB/Granada bid for Channel 5.

Channel 5's shareholders include Pearson, owner of the Financial Times, and United News and Media, publishers of the Daily Express.

Raymond Snoddy

THIS CHANGES EVERYTHING



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Monday September 2 1996

Flemings moves funds to London

By John Riddling and Louise Lucas in Hong Kong, and Nicholas Denton in London

Flemings, the UK investment banking group, yesterday insisted its links with Jardine Fleming, Hong Kong's biggest fund manager, remained strong, despite its re-patriation of management of £700m (US\$1.1bn) of investment funds to Britain.

Flemings confirmed that some investment funds that had been subcontracted to Jardine Fleming Investment Management (JFIM) in Hong Kong had been brought back under London management. But it said the re-patriation had occurred in February or March this year and there was no connection between the decision and the disclosure last week that one of the JFIM's top fund managers had diverted profitable trades to his own personal account.

Flemings owns Jardine Fleming jointly with the conglomerate Jardine Matheson.

It said the decision to move management of the \$540m Fleming Far Eastern Investment Trust and two smaller funds from JFIM back to London reflected its strategy of developing its own Asian expertise, while Jardine Fleming fund managers did not have time to manage the investments.

Flemings is concerned that the repatriation of funds might be misinterpreted. It is seeking to reassure clients that it has improved its administrative procedures and persuaded them to remain loyal after being fined £700,000 and being ordered to pay US\$12.3m in compensation to investors.

Part of the compensation will come from personal profits of more than \$3m made by Mr Colin Armstrong, the 49-year-old former chief investment officer of JFIM. Jardine Fleming, which has assets of about US\$22bn under management, said it was confident of retaining business.

The company said discussions were under way with the 10 European clients with funds managed by Jardine Fleming Asset Management, the Immo-regulated affiliate of JFIM which has had its London registration terminated.

However, some institutional investors are dissatisfied with Fleming's reaction to last week's disclosures. "We need to be convinced that enough action has been taken, and at the moment we are not," said one finance executive.

Mr Mark Baxter, Hong Kong manager of William Mercer, the actuarial consultants, said investors had been wary of placing new funds with JFIM since the compliance problems emerged.

Another industry executive said while JF was unlikely to lose much retail business, its management of pension funds was more exposed.

Flemings denied there were any tensions with its Asian joint venture as a result of its compliance problems. "This has brought us closer together," it said.

Rolls-Royce leads engine race

By Michael Stapinier in London

Rolls-Royce of the UK has taken an early lead over its US rivals in the battle to supply engines to power the new generation of "super jumbo" jets because its existing technology can be adapted more easily to airline demands.

Mr Colin Green, managing director of Rolls-Royce's aerospace division, said last week that Boeing of the US was demanding that airlines

which order its planned 550-seat aircraft must make an early choice over which engines they wanted to power them. This will give Rolls-Royce an advantage over General Electric and Pratt & Whitney, its US rivals. While the two US companies are designing a new engine from scratch, Rolls-Royce is adapting existing technology and will be able to bring its own engines to market in less time and at a lower cost.

Rolls-Royce plans to

develop its Trent 900 engine on the basis of the company's existing Trent 700 and 800 engines. General Electric and Pratt & Whitney said this year they would develop an engine for the large aircraft together, the first time they have collaborated on a civil aircraft project.

Boeing confirmed that early decisions would have to be made on engines for its large aircraft. But it said the pressure to do this was coming from the airlines.

Boeing and Airbus Industries, the European consortium, will disclose today as the Farnborough airshow how close they are to beginning work on their 550-seater. Boeing is closest to making a decision as its new aircraft will be based on its existing 747-400, which carries 400 passengers. Boeing has said it planned to begin building the 747-500 capable of carrying 550 passengers, this year. It also plans a long-range 747-500 which will carry 460 passengers.

Boeing is talking to inter-



Colin Green: Boeing was demanding an early choice

INSIDE

Aérospatiale

Aérospatiale of France yesterday became the first partner in Airbus Industrie to reveal the profits it makes from its shareholding in the European aircraft manufacturing consortium.

Aérospatiale said it made an operating profit of FF1.08bn (\$214m) from its Airbus activities last year, up from FF734m in 1994. The disclosure by the French aerospace and defence group follows the decision by the Airbus board to turn itself into a profit-making company. Page 21

Sheffield Forgemasters

Sheffield Forgemasters, the privately-owned engineering and steel forgings group, has asked four rival stockbrokers for advice on a possible £70m-£80m flotation this autumn. Page 20

Fund Management

Fashions in financial markets change. That is clear in the market for collateralised mortgage obligations (CMOs) - the financial instruments which once made Mr Mike Vranos, the former Kidder Peabody trader, one of the highest-paid bond traders on Wall Street.

And where fashions change, there are often big investment profits to be made. Page 20

Global Investor

August, a month when nothing of much real interest happens, is often the time for central banks to take a bow on the world stage. This year was no exception. In fact, monetary policy people had something of a special treat.

In the space of 10 days the central banks of all three leading economies were the object of intense interest, reaching critical decisions on their immediate monetary policy. Page 22

Industry looks for a global best seller to lift the tempo after sluggish start to 1996

Music may be fading for the big five

When *Monster*, the last R.E.M. album went on sale two years ago, queues formed outside record shops. The music industry hopes to see more queues when R.E.M.'s new release, *New Adventures In Hi-Fi*, comes out next Monday.

R.E.M., which last week resigned to Warner Music in a deal worth up to \$80m, is one of the few rock groups whose records are virtually guaranteed to be hits. And the music industry badly needs the *frisson* of a global best seller after a sluggish start to 1996.

The latest edition of *Music & Copyright*, a Financial Times newsletter, reveals that wholesale sales in the 13 countries representing 80 per cent of the global music market rose 4 per cent (barely above inflation) to \$11.8bn in the first six months of this year. The industry is concerned about the threat of a longer-term decline in sales growth.

A slowdown could have serious consequences for the big five companies that command two-thirds of the worldwide market: PolyGram of the Netherlands, Japan's Sony, Warner of the US (part of the Time Warner entertainment group), the UK's EMI and Bertelsmann of Germany. Most of them are counting on continued growth from music, to finance their expansion in other areas of the entertainment industry.

The disappointing start to 1996 follows a buoyant period for the music industry. Retail sales doubled in real terms to \$40bn in the decade to 1995, according to the International Federation

of the Phonographic Industries.

However, sales stalled in US, the world's largest music market, last year largely because of discounting among retailers. Germany, the number three market, also stabilised, reflecting economic uncertainty. Demand was so strong elsewhere that global sales still grew by 10 per cent with particularly strong growth in the developing markets of Asia and Latin America.

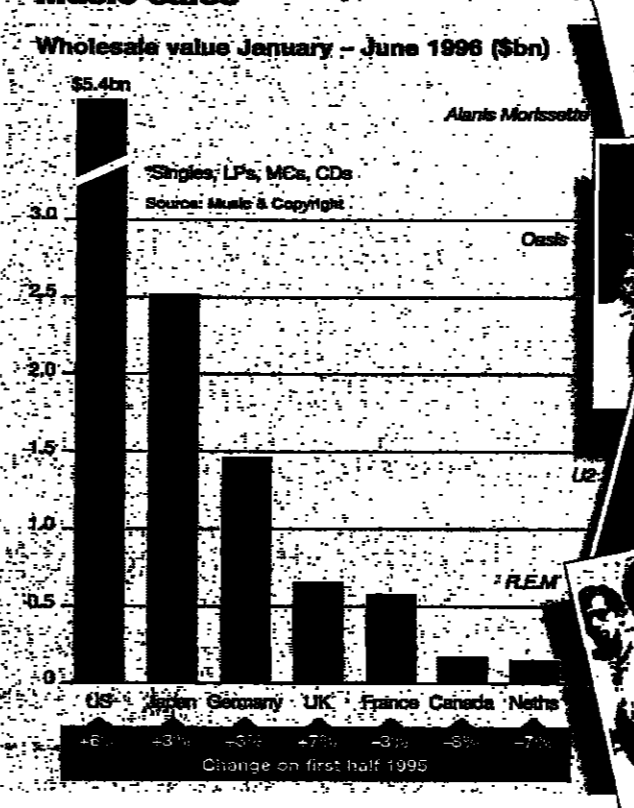
These markets continued to expand in the first half of this year, but they are too small to counter negligible growth in France, Canada, and Japan, as well as the US and Germany. In the UK, where wholesale sales soared to a record \$1bn in 1995, the market grew by 13 per cent in the first quarter of 1996, but fell in real terms during the second quarter.

The impact of the first-half slowdown has been lessened by the fact that the market has stabilised at such a high level. Moreover, music publishing, the sale of copyrights for use in films and broadcasts, is still buoyant and highly profitable.

However, music has been so dynamic over the past decade, that the big five are ill-prepared for a decline in growth. Since 1992 PolyGram has invested about \$800m of the profits from its record companies into creating a Hollywood film studio, which is still loss-making and will require significant additional investment to become profitable.

Sony is counting on a strong performance from music to compensate for the

Music sales



Similarly, although the music industry has become more institutionalised as the power of the big five record companies has increased, individual artists are as unpredictable as ever.

Last week, Sony was powerless to stop Liam Gallagher, the 22-year-old lead singer of Oasis, from refusing to join the band on the first leg of its US tour.

Meanwhile, PolyGram took the difficult decision to postpone the release of U2's latest album from November to early 1997 because the Irish band wanted to spend more time in the recording studio.

The delay is a blow to PolyGram, which had billed the U2 release as one of 1996's best sellers, and adds to the industry's woes.



The U2 album, together with R.E.M.'s, was one of the few autumn releases that seemed certain to coax consumers into record shops, thereby raising the hope that they might be tempted to buy a few other albums at a time when the music industry desperately needs them to.

Alice Rawsthorn

CME starts Slovakia TV station

By Kevin Done in Bratislava

Central European Media Enterprises, the US pioneer of commercial television in east Europe, is strengthening its hold on the sector with the launch of its fourth national, privately-owned commercial television station in the region.

It began broadcasting at the weekend in Slovakia, the fastest growing economy in central Europe last year, through TV Markiza, its latest joint venture station.

CME is co-owner of national commercial television operations in the Czech Republic, Romania and Slovenia as well as several local stations in Germany. It has received licences for broadcasting in 17 cities in Ukraine and is seeking licences in Poland and Hungary.

Mr Leonard Fertig, CME chief executive, said that by the end of the year the group would have invested close to \$200m in the region. Nova TV, its first national television station, was launched in the Czech Republic in February 1994.

The group, which is quoted on the Nasdaq system, is controlled by Mr Ronald Lauder, one of the heirs to the Bette Lauder cosmetics fortune, and CME's majority shareholder.

The television advertising market in central Europe was growing rapidly, said Mr Fertig. It had doubled in four years in the Czech Republic to more than \$180m. In Slovakia, the market was expected to total about \$60m this year, and Mr Fertig forecast annual growth in excess of 10 per cent a year.

"We expect our advertising sales and viewership levels to mirror the robust economic growth of the country, which is expanding as fast as any in Europe," he said.

In the Czech Republic, Romania and Slovakia the CME terrestrial operations claim market leadership ahead of the rival state television channels. The programming formula has been built around popular movies, game shows, soaps, sports and late-night "gentle erotica". The CME stations are also committed by local licensing conditions to broadcasting a significant share of locally produced programmes.

In Slovakia, there must be a minimum 40 per cent local production, a maximum of 49 per cent of non-European films and series and a minimum of 10 per cent of pro-

grammes for children and young people.

Despite the emphasis on commercial mass appeal, it is the news and current affairs programmes of TV Markiza which are expected to come under particularly close scrutiny in a country where the independence of the media has been perceived to be under serious threat from the government.

Mr Fertig said that TV Markiza "would run strictly apolitical, non-political oriented television news. We will openly state all views, you cannot ignore political issues. We believe television should be a forum, a mirror, rather than a vehicle for a particular point of view."

CME expects to be broadcasting to a potential audience of 85m in central Europe by the end of this year.

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Advanta to expand in UK

By Simon London, Property Correspondent

Advanta Management, the German property company controlled by Mr Dieter Bock, the chief executive of Lorch, has started a search for property developments in the UK.

The company is looking for office or residential developments in anticipation of the completion next spring of Number 1 Poultry, the City of London office scheme which it is building in a joint venture with Lord Palmbo, the former chairman of the Arts Council.

Mr Bock wants to keep Advanta's London team intact following the completion of Number 1 Poultry, which was one of the first

speculative developments in the City to be started following the property crash of the early 1990s.

He is also keen to reinvest capital released this year through a refinancing with bank debt of the City scheme.

Advanta, a private company, was one of Germany's largest property developers in the 1980s with a reputation for concentrating on big projects in prime locations.

However, Mr Bock has reduced the company's exposure to its home market in anticipation of a downturn in rents and values. It is now working on only a handful of developments in Germany, some of them on a project management basis for institutional investors.

Mr Bock said that he had decided against an early sale of his 90 per cent interest in Advanta because of the poor state of the German market.

It will take two to three years for the German market to come back. It is not a good time to sell," he said.

When he took the helm at Lorch four years ago, Mr Bock vowed to dispose of his German property interests in order to concentrate on running the UK conglomerate.

In 1994, Advanta sold its majority stake in the Kempinski luxury hotel chain because the investment could have been seen as a conflict of interest with Lorch, which is planning to float its Princess Metropole hotel chain this autumn. Lex, Page 18

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COMPANIES AND FINANCE

Forgemasters seeks advice on £80m float

By Tim Burt

Sheffield Forgemasters, the privately-owned engineering and steel forgings group, has asked four rival stockbrokers for advice on a possible £70m-£80m (£109m-£125m) flotation this autumn.

listing before the end of 1996 or early next year, depending on their recommendations.

A successful flotation would mark the latest stage of a painful turnaround at Forgemasters, which gained notoriety in the early 1990s for its role in allegedly producing barrels for an Iraqi supertanker.

The company, which has always maintained the parts were for a petrochemical plant, previously blamed the controversy for delaying

plans for an earlier flotation.

The 3,900 workforce has since been halved, and it has started to rebuild operating profits, which fell by almost 70 per cent to £4.49m between 1992 and 1994.

Forgemasters is considering coming to the market once again following a strong rise in demand for its heavy industrial forgings, steel roll and aero-engine components.

Operating profits this year are expected to rise by more than 45 per cent from £3.12m

to £11m-£12m on sales of about £40m.

The improvement has been fuelled mainly by overseas sales of heavy forgings. The loss-making rolls business is expected to show a return to profit in the 12 months to April 1997.

The aerospace division, which makes aero-engine shafts, is also aiming for better figures, with growing demand from customers such as Rolls Royce.

Optimism over the group's prospects has been further

buoyed by a record order book of £66m and strong cash generation.

In the past two months, higher than expected cash-flow has enabled it to repay £5m of its £30m debt - a facility arranged in June as part of a £70m secondary buy-out backed by Schroder Ventures and NatWest Ventures.

While flotation is thought to be the preferred option for such investors, they are also looking at a possible break-up in which the aero-

space and rolls businesses might be sold, leaving the forging and castings business to seek a listing at a later date.

If it pursued that option, however, the remaining Forgemasters group would lose the tax benefit of £8m in accumulated losses built up mainly on the rolls side.

The proceeds of a flotation or break-up could be used to provide an exit for the venture capital funds and enable Forgemasters to consider bolt-on acquisitions.

NEWS DIGEST

Oriental seeks full SE listing

Oriental Restaurant Group, owner of four outlets in the City of London, is seeking a full listing on the stock market next month, via a placing and introduction. Oriental operates three restaurants in the City, as well as an oriental wholesale grocery business which specialises in supplying Thai restaurants.

Chloride exits batteries

Chloride Group has exited the battery business with the sale of its 52 per cent stake in Chloride Egypt for \$7.5m to Mr M Chahbi, whose interests in North Africa include petrochemical activities and battery manufacturing. Chloride Egypt makes lead acid batteries near Cairo and recorded profits of £341,000 last year. Its sale will produce an exceptional profit of about £1.9m and Chloride said it would use the proceeds to eliminate borrowings.

Nielsen keeps Irish contract

ACNielsen, the international television ratings and market research group, has held on to its contract to provide an expanded television ratings service for both RTE, the Irish national broadcaster, and the Irish advertising industry. The service had been due to start at the beginning of May, but after delays a final deadline was set for September.

Freepages to buy TDS

Freepages, the loss-making Aim-quoted compiler of commercial databases for marketing and sales applications, is buying 45.6 per cent of rival TDS Marketing Group. It is paying an initial £2.4m cash and 1.94m shares, with a deferred consideration of up to a further 1.48m shares. The company has also agreed an option to purchase the remaining 54.4 per cent of TDS by the end of January 2001, based on pre-tax profits in the year to September 2000.

Royal Sun expected to give details of savings

By Motoko Rich

Royal Sun Alliance is this week expected to announce £15m in legal and banking costs, as the recently created composite insurer unveils interim results on Thursday. The group, formed by a \$6bn merger between Sun Alliance and Royal Insurance which was announced in May, will be under pressure to provide details of the £175m (£273m) annual cost savings it has said can be achieved.

It is expected to explain how the savings break down, and how much of the benefit will flow to shareholders, as opposed to policyholders.

The bulk of the savings are likely to come from staff reductions. The merged group said it would cut 5,000 jobs, and has already announced 1,500 losses, including 500 in Liverpool and another 500 in Hortham. Other cost savings are likely to be achieved as it

cuts staff and systems at head office, merges information technology services and negotiates better deals with reinsurers, who protect conventional insurers against heavy losses, as a result of its increased international cover.

One analyst said: "We think the group will actually achieve annual cost savings of about £200m, but then give some of these savings back to policyholders through lower pricing" on their products.

The results for the six months to June 30 will show the combined profits of Sun Alliance and Royal Insurance. Forecasts range from £340m to £430m, compared with pro forma operating profits of £514m in 1995. A dividend of about 6p is expected.

The City is also keen to know how the combined group will be managed. All 11 of the two companies' executive directors have

Alders pays £24m for 8 stores

By Steve Thompson

Alders, the department store group, has bought eight stores from the Owen Owen chain for £23.6m (£37m) cash.

Alders is also to pay a special dividend of 46p and to consolidate its shares on the basis of 15 new shares for every 19 existing shares. The special dividend and share consolidation are subject to Inland Revenue and shareholders' approval.

The moves come after Alders sold its duty-free business to Swiss Air for £160m last month, leaving it with more than £100m cash. After a proposed £15m refurbishment of the new stores and development of existing stores, the company will be left with about £50m, which it is returning to shareholders via the special dividend. The share consolidation will reduce the number of shares in issue from 107.8m to 85.1m.

Winterthur to offer mortgages in joint venture

By Motoko Rich

Winterthur Life, the UK life insurance and pensions arm of Winterthur Swiss Insurance Group, is to sell mortgage products through its estate agency network in a joint venture with Skipton Building Society.

Mr Robin Tinsley, who is heading a new business within Winterthur designed to arrange ventures in non-life financial services, said Winterthur and Skipton would design mortgage products for sale through the network of 800 estate agents.

Winterthur arranges about £1bn (£1.56bn) in mortgage applications through the agencies, recommending traditional high street bank and building society mortgages. The deal with Skipton is the first move to develop products that will be exclusively tailored for sale in Winter-

thur's estate agencies. Skipton will provide the finance and credit, while Winterthur will provide marketing and distribution.

No financial details were disclosed, but Mr Tinsley said that, because new mortgage lenders usually offered initial incentives to attract customers, underlying profitability would be low in the early years. He declined to say how much either party would invest in the venture. Winterthur estate agents would continue to recommend other lenders' products to its customers. "This is a way of widening opportunities for our customers," said Mr Tinsley.

The deal is also the first development for the group's non-life financial services business. Mr Tinsley said there would be further deals in mortgages, loans and credit cards.

DTI stalls fight for Lloyds Chemists

By Christopher Price

Expectations of an early resumption of the battle for Lloyds Chemists, the high street drugs group, have been dashed. Renewed activity had been looked for after the last

week that Lloyds had found buyers for its drugs wholesale business, as had been demanded by the Department of Trade and Industry.

However, the DTI is understood to have informed the two prospective bidders, Gehe, the German drugs

group, and UniChem, the UK wholesaler, that it is likely to take at least three weeks to decide whether its conditions have been satisfied.

The conditions were issued in July, after UniChem's £650m and Gehe's £650m bids had been referred

to the Monopolies and Mergers Commission. The MMC approved the takeovers, but the DTI ruled that, as both bidders have extensive wholesale operations, they must find buyers for most of Lloyds's wholesale business before rebidding.

Levington seeks listing with £30m tag

By Mark Ashurst

Levington Horticulture, the fertiliser manufacturer formerly part of Fisons, has appointed BZW to draw up plans for a listing that could value the business at more than £30m (£47m).

Levington, which counts Evergreen, Murphy and Gro-Rag among its best-known consumer brands, was valued at £25.5m when it was the subject of a management buy-out in July 1994.

Mr Phil Parry, managing director, said the proceeds

would be used to repay borrowings of £4.9m at June 30, which have already been cut by £8.8m since the buy-out.

He also hoped to raise money to finance acquisitions. Mr Parry said the biggest shareholders - Prudential,

venture capitalists Cadover, NatWest Ventures and 3i - had not indicated a wish to exit the business but would retain their stake.

The management's combined interest of 17.5 per cent was not for sale, he said.

FINANCE

Pizza yields to melon futures

Richard Waters looks at the volatile world of collateralised mortgage obligations

In *Liar's Poker*, the book set on Salomon Brothers' mortgage-backed bond desk, the traders famously gorged themselves on pizza. Between epic bouts of junk food these loud-mouths helped create the second-largest dollar fixed income market.

In the investment management firm created by Mr Mike Vranos, the former Kidder Peabody trader who was one of that market's most prominent figures in the early 1990s, visitors are offered slices of melon.

This is a different era, and the polite partners of Ellington Management in open-necked shirts and affable to a man, say they have banished junk food from their trading desk.

Fashions in financial markets change. That is clear in the market for collateralised mortgage obligations (CMOs) - the financial instruments which once made Mr Vranos, still only 35, one of the highest-paid bond traders on Wall Street. And where fashions change, there are often big investment profits to be made.

Just two years ago, CMOs were at the heart of much of the mayhem that followed a historic slump in the fixed income markets. These instruments are created out of mortgage-backed bonds, which are pooled and used as security to back new instruments.

CMOs come in many shapes and forms. In the decade of 1994, though, many shared similar characteristics: with their considerable leverage and derivative-type characteristics, they became highly illiquid and prices plunged.

Some of the most notable investment management disasters of that period involved funds which held CMOs, among them Askin and Piper Jaffray. Kidder itself suffered losses and was eventually sold - though the

bank blamed rogue trader Mr Joseph Jett, rather than Mr Vranos, for its problems. Like Drexel Burnham Lambert before it, the collapse of Kidder left a market in free-fall - and created a new investment opportunity (in Drexel's case, in the junk bond market).

Kidder did not dominate the CMO business in quite the same way - though Mr Vranos claims to have created a fifth of all the securities sold in this \$1bn market in the early 1990s. Yet the former Kidder trader has more than a little in common with Mr Leon Black, Drexel's former head of



mergers and acquisitions, who has been one of the most successful junk bond and distressed real estate investors of the 1990s. At the end of 1994, Mr Vranos persuaded the Ziff brothers - who were looking to invest the money from their sale of their publishing business that year - to back him in bidding for some of the CMOs that were being auctioned by General Electric, Kidder's parent.

In the event, they bought only \$34m worth. But with \$100m from the Ziffs and money from other rich US families, Ellington now manages some \$350m worth of securities. An off-shore hedge fund is now being created, with \$20m raised so far. Ellington does not discuss its investment performance.

But the indications are that it has at least hit the target of returns in the "high teens or low twenties" of which Mr Vranos talks.

Other hedge funds have also targeted the CMO market and, says one Wall Street trader, "there aren't any

home runs to be hit any more" than by buying distressed securities on the cheap. Mr Vranos, for his part, agrees that returns have diminished over time - though he adds: "Spreads on these instruments are very wide still."

Will investment managers such as Ellington deliver outsized returns in the future? That depends on two things. One is whether their trading technology can give them a consistent edge in their chosen markets.

Certainly, Ellington's 17 members can field an impressive array of mathematical qualifications (one, Mr John Geanakoplos, is a professor of mathematics at Yale.) They also benefit from having constructed many of the CMOs that are currently in existence, and between them developed some of the earliest pricing models used in this market. For the uninitiated, though, past investment performance remains just about the only way to make a judgment on technological prowess.

The other, related question is whether it is possible to make above-average returns without taking big interest-rate or other risks. Many of the funds that lost money on CMOs in 1994 simply failed to hedge their risks out of a misplaced confidence that bond prices would continue to rise, says Mr Vranos.

Even the best-hedged funds, though, will be vulnerable to the disruption when a market goes into full-scale retreat, as happened in the CMO market. Meanwhile, Ellington seems to be encountering some scepticism with its attempts to find investors in Europe with an interest in CMOs. "Unfortunately, a lot of people who had that appetite before, indulged it with Askin," Mr Vranos says.

But, he adds: "It has been two years and the market has grown up a lot."

WWF World Wide Fund For Nature advertisement featuring a panda and text about tropical hardwood trees.

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

Table listing dividend and interest payments for various companies and bonds, categorized by day of the week (Today, Tomorrow, Wednesday, Thursday, Friday, Sunday).

UK COMPANIES

Table listing UK companies and their board meetings, categorized by day of the week (Today, Tomorrow, Wednesday, Thursday, Friday, Sunday).

Handwritten Arabic text at the bottom of the page.

COMPANIES AND FINANCE

Aérospatiale makes FFr1bn from Airbus

By Michael Scapinker

Aérospatiale of France yesterday became the first partner in Airbus Industrie to reveal the profits it makes from its shareholding in the European aircraft manufacturing consortium.

In its current form, Airbus makes no profits or losses in its own right and its financial performance has been shrouded in mystery. All its profits and losses accrue to the companies which make up the consortium: Aérospatiale, Daimler-Benz Aerospace (Dasa) of Germany, British Aerospace and Casa of Spain.

partner makes depend on how much it costs them to make Airbus components. BAE is regarded as the lowest-cost manufacturer in Airbus, with Aérospatiale and Dasa still engaged in restructuring aimed at bringing down costs.

of the US, with about a third of the civil aircraft market. The consortium has given itself three years to decide what kind of limited company it should become. The first option is for the new company to take over all of the manufacturing facilities of the partners.

and marketing company, placing contracts with the lowest-cost manufacturer, whether partner companies or not. Aérospatiale said yesterday it had also made a profit of FFr412m in its space and defence business last year.

Results put terms of CFF rescue in question

By David Owen in Paris

Crédit Foncier de France, the troubled property lender, sharply increased its first-half profits in a move that may put pressure on the government to change the terms of the proposed FFr2.6bn rescue of the bank.

NEWS DIGEST

San Paolo bank improves midway

Istituto Bancario San Paolo di Torino has reported a 30 per cent improvement in first-half operating profit to almost L1,000bn (\$663m). The bank, which will give full details of its interim results in later this month, said comparable figures show a 20 per cent increase in operating profit per share, from L1,000 in the first half of 1995 to L1,200 this year.

San Paolo said it had won leadership in Italian managed savings: mutual funds, asset management and life policies. Its Sanpaolo Fondi mutual funds business almost doubled its market share in the first seven months of the year, from 4.3 per cent to 8.3 per cent. In corporate banking, Credipi managed the first issue of Italian municipal bonds by the Rome city authorities in July.

Sydskraft edges ahead

Sydskraft, the Swedish hydro and nuclear power producer at the centre of rapid restructuring within the Nordic industry, reported a slight rise in pre-tax profits in the first half of the year, from SKr1.32bn last time to SKr1.33bn (\$201m), despite lower hydro-power output. Group sales rose from SKr2.5bn to SKr2.7bn, but operating profits fell from SKr1.86bn to SKr1.75bn because of reduced hydro output caused by below-normal levels of snow during the winter, which meant low spring thaw waters and low rainfall.

Holzmann to sell flats

Philipp Holzmann, the loss-making German construction company, plans to sell about 4,000 apartments in Bonn and Berlin to raise cash to help improve its financial position. It declined to comment on estimates that this could raise about DM500m (\$338m). Holzmann warned two weeks ago it would continue to show an operating loss this year, after a poor performance in 1995. In the first six months of 1996, revenues were down nearly 5 per cent to DM5,94bn, partly because of bad weather.

Advance by NSW bank

The State Bank of New South Wales, now owned by the Colonial Mutual insurance group, has announced after-tax profit of A\$51.7m (US\$40.9m) for the six months to end-June, up from A\$49.7m in the same period a year ago. The result was struck after a charge for bad and doubtful debts of A\$13.8m, compared with A\$5.6m previously. Colonial is due to begin "demutualising" - that is, turning itself from a policyholder-owned group into a conventional shareholder-owned one - later this year. About half its policyholders are in the UK.

Air France shake-up

Air France, the state-controlled airline, has announced a reorganisation of senior management in the run-up to the planned merger with Air France Europe, its domestic partner. Mr Marc Véron, Air France's present number two, will later this month take on additional responsibilities as managing director of Air France Europe. This follows the resignation last week of his predecessor, Mr Jean-Pierre Courcol. Three acting managing directors - Mr Patrice Durand, Mr Auguste Gayte and Mr John Power - have also been named to help prepare for the merger, scheduled for next year.

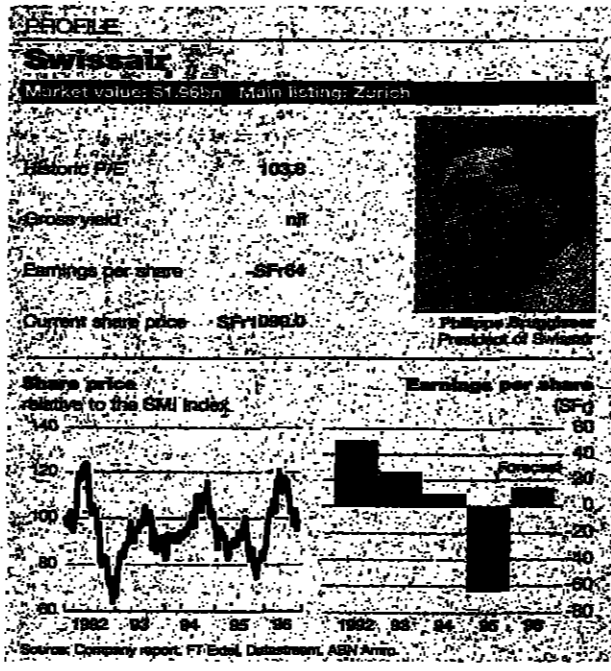
Cost-cutting begins to pay as Swissair cuts loss

By William Hall in Zurich

Swissair, Switzerland's national airline, which is struggling to reduce its high costs, reported a sharp drop in first-half net losses to SFr51m (\$42.6m) on revenues up 10.7 per cent to SFr3.6bn. It said first-half net losses are "very much the norm" even in good years. However, the fall in the deficit, from SFr86m, was mainly attributed to a drop in financial losses. At the operating level profits were only SFr3m higher at SFr20m.

tom-line performance generated extra costs initially, with the benefits taking longer to show. Swissair, which reported a big loss last year, expects a profit for the full year. However, it warned that analysts' estimates of SFr150m-SFr200m were at the high end. Swissair says with fare levels continuing to fall, revenue from flight operations was below budget. In addition to falling yields, and currency losses, results were hit by the weakness of the Swiss economy and a heavy rise in fuel prices.

were cut by 7 per cent so the deficit from flight operations was smaller than in 1995. Swissair's recovery depends on a turnaround in the fortunes of Sabena, its Belgian affiliate, which is supposed to be its springboard into the European Union. However, Swissair gave little information about Sabena, except that its losses hurt on the group's results. Non-airline businesses underpinned Swissair's profits. Swissotel, Gate Gourmet and Rail Gourmet all saw "encouraging improvements". Catering revenues rose 19.2 per cent to SFr634m and retail business revenues by 82 per cent to SFr234m.



NationsBank puts regionals back in play

The pace of consolidation in the US banking industry has slowed in the last year. But anyone thinking it had drawn to a halt received a rude jolt on Friday, when NationsBank, one of the pioneers of banking mergers, announced it was buying the Boatmen's Bancshares bank, based in St Louis, for about \$8bn.

1995. We've had 11 years of it, and we probably have another 15 or 20 years left in the long-term trend is still for massive consolidation in the industry. Retail banking in the US is highly fragmented, an enduring legacy of legislation enacted after the 1990s depression to prevent another wide-scale banking collapse. Banks tend to be very localised, with small branch networks; automated teller machines (ATMs) are less widespread than in Europe, and cheques are not as widely accepted.

share next year. Analysts had been briefed that NationsBank would not make purchases that diluted earnings, and some felt they had been misled. But Mr McColl said the deal would enhance earnings over two years and that the pace of technological change, with the Internet, personal computer banking, telephone banking and ATMs all gaining in popularity, had spurred NationsBank's decision to make another big acquisition.

mid-western banks would be the main targets for "super-regional" banks wishing to follow NationsBank's lead. It named First Bank System, Banc One and Norwest as the most likely to make a big new acquisition. UBS's Mr Tom Hanley said: "We think this is the start of the second round of US banking consolidation. And we think it's going to be heavily focused on the mid-west and the south."

John Authers

Advertisement for German Equity Partners B.V. A private equity fund has been established to acquire controlling equity positions in medium-sized companies. The fund amounts to DM 160 million. Sponsored by BHF-BANK, MeesPierson, BancBoston Capital. Further funds provided by Charterhouse, WGZ-Bank, Burgan Bank. This private equity fund will be advised by H & P Beteiligungsberatung GmbH & Co. Amsterdam, June 1996.

Advertisement for Fortis AMEV Interim dividend 1996. With the approval of the Supervisory Board we have decided to declare an interim dividend for 1996 of NLG 0.68 per ordinary share with a nominal value of NLG 1. The interim dividend will be made available in the form of an optional dividend. Shareholders and holders of depositary receipts may opt for payment of the interim dividend wholly in cash or wholly in the form of shares (or depositary receipts for shares) charged to the tax-free share premium reserve or to the profits. The same principle applies to the interim dividend for 1996 as to the final dividend for 1995. If a shareholder or holder of depositary receipts for shares opts to receive the dividend in shares (or depositary receipts for shares), the market value of his dividend rights will be lower than the gross amount that will be paid out in cash. In view of its strong asset position, Fortis AMEV wishes to encourage the payment of dividend in cash as much as possible. From today until Wednesday, 25 September 1996 at the latest, shareholders and holders of depositary receipts for shares can make known their choice of dividend in cash or dividend in shares (or depositary receipts for shares). An announcement will be made on Thursday, 26 September 1996 of how many dividend rights entitle a holder to one new share (or one depositary receipt for shares). This will be determined on the basis of the closing rate of the depositary receipts for Fortis AMEV shares on the Amsterdam Stock Exchange on 25 September 1996. The number of dividend entitlements will be fixed at a round figure. In the case of holders opting to take the dividend in shares (or depositary receipts for shares), the dividend rights in question will be worth less at the said closing price than NLG 0.68, the interim dividend that will be paid in cash. The difference will not exceed 5%. Holders of registered shares will receive personal notice regarding the interim dividend. Holders of depositary receipts for shares are requested to register their choice through their bank or broker with NV Nederlandsch Administratie- en Trustkantoor in Amsterdam. If a holder of depositary receipts fails to make his choice known to his or her bank or broker in time, the latter will in general make a choice on behalf of the holder. Holders of depositary receipts whose choice has not been registered by 25 September 1996 will receive their dividend in cash. The cash dividend, less 25% dividend tax, will be payable from 4 October 1996. The schedule for the 1996 interim dividend is: 29 August 1996 Start of option period. 2 September 1996 Listing of share ex-dividend. 25 September 1996 Last day on which choice can be made known. 26 September 1996 Announcement of number of dividend rights entitling the holder to one new share (or one depositary receipt for shares). 27 September - 3 October 1996 Trade in stock dividends in connection with rounding off to convertible numbers. 4 October 1996 Interim dividend becomes payable. Utrecht, 29 August 1996 Fortis AMEV nv on behalf of the Executive Board J.L.M. Bartelds Chairman

Table with financial data for SIGMA SECURITIES S.A. and ATHENS STOCK EXCHANGE. Includes columns for ASE INDEX, EPS, P/E, and various market metrics.

FINANCIAL TIMES MARKETS THIS WEEK

ING BANK Seu Parceiro em Mercados Emergentes e de Capitais ING BARINGS

ING BANK At Home in Emerging and Capital Markets ING BARINGS

Global investor / Gerard Baker

Central banks take a bow

August, being a month when nothing of much real interest happens, is often the time for central banks to take a bow on the world stage. This year was no exception. In fact monetary policy wonks had something of a special treat. In the space of ten days the central banks of all three leading economies were the object of intense interest, reaching critical decisions on their immediate monetary policy.

less benign inactivity to cut interest rates; then, last week, the troika was completed when the Bank of Japan published its crucial quarterly survey of short-term economic prospects for August - the tankan. The closely-watched principal index of business confidence showed its first fall for a year. As a result, the bank said it saw no reason to alter its basic stance, once again postponing the long-awaited tightening.

Other than that, the longer-term trend remained positive. In the last survey in May manufacturers reported a sharp improvement in confidence. The rest of the report was rather more upbeat. Large non-manufacturing companies were less troubled - their confidence continued to improve. These companies are less susceptible to nervousness about the exchange rate.

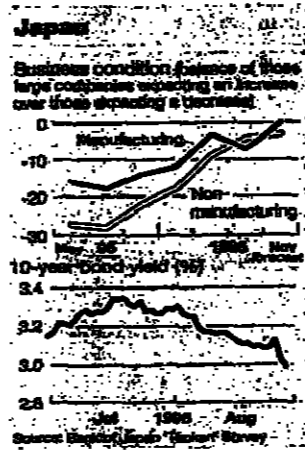


Table with 5 columns: Country, % change over period, and % change over period. Rows include Cash, Week, Month, Year for various countries like US, Japan, Germany, France, Italy, UK.

COMPANY RESULTS DUE

Large rises expected at Belgium's top banks

Belgium's three main banks are on course for large rises in net profits in 1996, with most of the increase likely to show up when they report first-half earnings next month.

trate on full-year figures, for which averaged-out individual forecasts show BBL expected to lift net profit by 15-16 per cent. For the half year, BBL is seen rising about 19 per cent.

FFr3.6bn, up from FFr2.9bn (\$372m) a year earlier, with operating profit climbing to about FFr1.0bn. Total's earnings growth is expected to be even stronger, with analysts forecasting net profit of FFr2.4bn-FFr2.6bn, compared with FFr1.8bn. Operating profit is put at FFr4.7bn-FFr4.9bn, up from FFr3.5bn.

announces a rise of about 10 per cent in interim pre-tax profits to \$55m (\$55m) when it reports today.

ing package. But governing politicians, for whom electoral judgment day is just a few months away, want a big fiscal stimulus - up to Y3,000bn in extra spending.

dividend being raised to 2.7p from 2.4p. Royal Sun Alliance: The recently merged UK composite insurer, is expected on Thursday to announce interim pre-tax profits of up to \$430m (\$66m) on a pro forma basis. A dividend of about 6.5p is forecast.

3,000,000 SERIES A PERQS Preferred Equity Redeemable Quarterly-pay Shares based on the price of Whitbread Ordinary Shares issued by MORGAN STANLEY EQUITY (C.I.) LIMITED

Table with columns: US hour, purchase, and price. Lists various international stock indices and their values.

Portuguese issues attract interest

A planned series of Portuguese equity issues is maintaining a high level of international interest in a market that has gained greater depth and maturity from the record-breaking success of a secondary global offer of Portugal Telecom last June.

able to complete such a purchase before the offer. Cimpor's respected management and strong growth perspectives favour the issue. But placing shares worth more than \$25bn at current prices will be made easier if a steady rise in Cimpor's share price abates before the offer.

SOCIETE CONCESSIONNAIRE FRANCAISE POUR LA CONSTRUCTION ET L'EXPLOITATION DU TUNNEL ROUTIER SOUS LE MONT-BLANC FRF 450,000,000 FLOATING RATE NOTES 1997-1997

Fast Fills, Low Rates. 9800-562-4722. SPREAD BETTING ON OVERNIGHT MARKETS. CITY INDEX.

FT/S&P ACTUARIES WORLD INDICES. Table with columns: Country, Index, and Dollar Index. Lists various international stock indices and their values.

معلومات الاصل

MARKETS: This Week

EMERGING MARKETS By Matthew Kaminski

Caution pays off for Estonia

Estonia is just like Finland, runs the latest joke in Tallinn, only without the socialism.

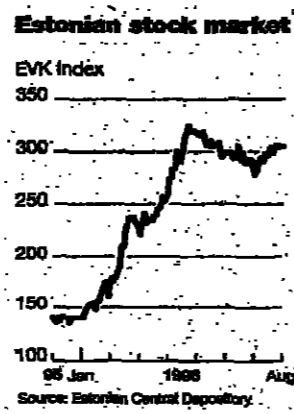
The hyperbole might be intended, but the impressive economic progress made in the ex-Soviet republic today places Estonia squarely among the fast-track central European countries.

The markets are no exception. Estonia's stock market index this year has outperformed the Warsaw and Budapest bourses, part of a regional boom that has seen share prices rise an average five times as quickly as in western Europe in the second quarter, according to Daiwa's research arm.

May's inauguration of the Tallinn Stock Exchange should provide another boost. The Baltic country waited longer for a proper secondary market than its two neighbours, Latvia and Lithuania. Its privatisation scheme brought in direct investors, and did not release shares into the public domain, as in Russia or Lithuania.

The country's careful and well ordered business culture also wanted to make sure a proper regulatory environment and infrastructure were in place.

But the caution paid off, making Tallinn the largest exchange in the Baltics from day one. It is capitalised at \$260m - small, yet dwarfing



Lithuania's and Latvia's - and appears destined for a steady upward rise into the autumn. Market turnover this summer has hovered between \$350,000 and \$1m a day.

Financial services companies dominate the exchange. They are the fastest growing sector in the Estonian economy, but still account for only about 20 per cent of gross domestic product. All five securities companies are commercial banks.

This is hardly surprising. In Estonia's banking sector, says Mr Mike Wheelhouse, a Baltic banking analyst at Nomura in London, "real credit growth and return on equity surpass those of any other country within central Europe". The delinquency ratio, after a painful banking crisis in 1992 saw eight banks close, is the lowest in the region.

The banks have been able to grow without a government debt market, unlike their peer institutions in Russia and central Europe. Their handicap has been lack of access to capital, and the exchange should help redress this.

The central bank's strict reporting standards had the unintended effect of qualifying banks to list in Tallinn which, unlike Lithuania or Russia, has elicited no noticeable complaints about insider trading

A good source will be the "over the counter" market, which was established in 1994. Its 12 securities, along with the banks, drove the 119 per cent climb in the Estonian stock market index this year.

The Saku brewery, Tallinn Pharmaceutical and the Norma factory, which makes seat belts for General Motors, are among the most attractive securities. Brokers expect them to list on the Tallinn exchange shortly.

The investment climate also could warm up in November when the government is expected to approve the privatisation of the utility Eesti Energia, the Tallinn port and Eesti Telecom. Foreign investors are tipped to take controlling stakes.

Economic fundamentals remain strong, aided by the recovery in nearby Finland, the largest foreign investor. The end of the Russian electoral cycle also removed, probably only temporarily, the spectre of instability next door spilling over into tiny Estonia. The two countries have an outstanding border dispute.

GDP should rise 3 per cent this year, says Mr Andreas Lipstok, economics minister, and inflation will be half the 40 per cent level in 1994.

Sixty per cent of exports go to the European Union, which Estonia wants to join in the first wave of expansion. Nearly all went to ex-SSR states just five years ago.

INTERNATIONAL BONDS

Swiss franc's status a double edged sword

International investors are in love with the Swiss franc as a "safe haven" currency. But Switzerland may be becoming disenchanted with the affair.

The weakness of the US dollar and of the yen, worries about Russian President Boris Yeltsin's health, and currency turmoil in the run-up to European monetary union have all caused investors once again to turn to the Swiss franc as a secure berth for their funds.

But the rise in the value of the franc comes at a time when the Swiss economy is one of the weakest in Europe, with almost stagnant growth - predictions are of an 0.2 per cent increase in gross domestic product this year - and very low inflation of 0.7 per cent.

Such economic fundamentals should be favourable for bond buyers, but Swiss bonds have failed to attract international institutional investors.

Yet in recent weeks the Swiss franc has again strengthened against the US dollar and the D-Mark. The franc last week approached 90 centimes to the D-Mark, on foreign currency markets, having been worth 83 centimes earlier this year.

"The Swiss franc's appeal as a defensive investment increases when the US dollar is weak," said Mr David Brown, chief economist at Bear Stearns in London.

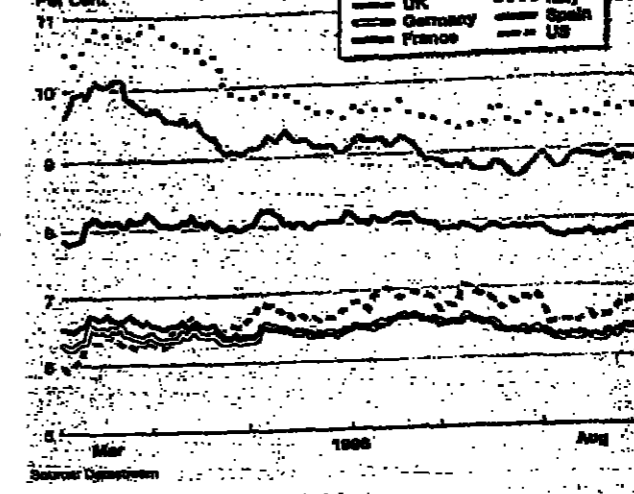
Such a strong exchange rate is likely to hold back the recovery of an economy, like Switzerland's, dependent on exports.

"The Swiss franc at these levels is almost an accident waiting to happen," says Mr Jeremy Hawkins, chief economist at Bank of America in London. Goldman Sachs said recently the Swiss franc was "the most mis-aligned currency in the OECD".

Swiss exporters have been hoping for an interest rate cut to relieve pressure on the currency, but so far the Swiss National Bank has turned a deaf ear. "They appear to think they have done enough," said Mr Hawkins.

Swiss policy-makers have

10-year benchmark bond yields



INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	5.00	0.50	2.50	4.75	8.25	5.75
Overnight	5.25	0.48	3.12	3.50	8.45	5.81
Three month	6.25	0.34	3.04	3.90	8.46	5.48
One year	5.85	0.82	3.30	4.12	8.17	5.71
Five year	6.74	1.81	5.19	5.50	8.58	7.28
Ten year	6.96	2.96	6.40	6.40	8.58	7.50

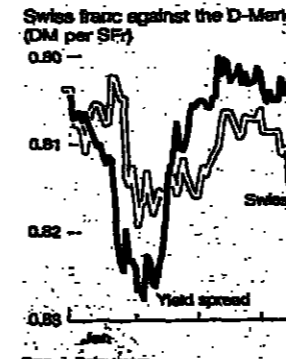
never been noted for their boldness. The SNB has a rigid adherence to narrow (M0) money supply targets and price stability, and considers little else in formulating monetary policy.

Thus, when Germany's Bundesbank cut its key securities repurchase rate by 30 basis points two weeks ago, the SNB declined to follow suit, leading to a further rise in the Swiss franc.

Yet there are some arguments in favour of the SNB's "safety first" stance. The first is that Switzerland's SFR25.5bn current account surplus, at 6.5 per cent of GDP, is one of the largest in the OECD. The second is that the Swiss stock market has been performing well, despite the domestic economy's sluggishness.

Comments last week by Mr Georg Rich, SNB's chief economist, confirmed that while the central bank was concerned at the strength of the franc, it thought the foreign exchange market would correct itself. "I think a situation will arise where mar-

Switzerland



With 10-year bonds yielding 6.95 per cent and Swiss bonds 4.25 per cent, the difference compounded over 10 years means the D-Mark/SFR rate would have to drop from SFR0.80 to below SFR0.67 to break even on currency value alone.

Only investors with low expectations on the stability of the prospective Euro cur-

Yield spread between Switzerland & Germany (basis points)

rency, the euro, would be attracted.

"The Swiss market is viewed in many aspects as a European market, but without other European countries' uncertainty linked to Euro," said Mr Nigel Richardson, head of bond research at Yamaichi International. "In the past, investors have even been willing to accept negative nominal returns in order to have access to this safety," he said, referring to when Swiss banks paid no interest on deposits but charged fees.

That has caused some investors, mainly French and German, to move their funds into Swiss accounts, where traditional banking privacy is still respected.

ING BARING SECURITIES EMERGING MARKETS INDICES

Index	Week on week movement		Month on month movement		Year to date movement	
	Actual	Percent	Actual	Percent	Actual	Percent
World (431)	169.91	+0.73	+0.46	+4.22	+11.35	+7.88
Latin America						
Argentina (22)	92.20	+1.46	+1.88	-0.98	-1.10	-4.58
Brazil (23)	238.80	+0.78	+0.33	+11.2	+4.92	+22.71
Chile (16)	184.79	-4.72	-2.49	-5.96	-3.12	-10.87
Colombia (14)	163.24	-1.97	-1.19	-0.54	-0.33	-0.62
Mexico (24)	84.89	-2.95	-1.22	+10.72	+11.28	+15.26
Peru (13)	1181.17	+45.91	+4.01	+91.85	+7.39	+122.22
Venezuela (12)	139.61	-0.75	-0.54	+6.12	+4.59	+16.47
Europe						
Greece (18)	116.98	+0.62	+0.53	+7.80	+7.14	+19.01
Portugal (20)	139.21	+2.07	+1.80	+5.31	+2.43	+18.80
Turkey (25)	101.47	-0.51	-0.50	-0.80	-0.78	+16.67
South Africa (30)	138.95	+5.01	+3.74	+2.25	+1.87	-14.43
Europe (134)	122.10	+3.22	+2.73	+3.51	+2.86	+0.47
Asia						
China (24)	45.56	-1.69	-3.58	+2.10	+4.83	+5.54
Indonesia (31)	132.75	-0.45	-0.34	+4.33	+3.53	-5.20
Korea (23)	103.05	+1.03	+1.01	-3.29	-3.06	-24.73
Malaysia (23)	255.88	-0.33	-0.21	+19.37	+8.20	+23.51
Pakistan (14)	76.03	-1.50	-1.93	-0.14	-0.18	+2.44
Philippines (14)	331.48	-1.28	-0.38	+23.5	+7.87	+72.32
Thailand (25)	206.53	-1.91	-0.91	+2.01	+0.97	-17.21
Taiwan (31)	176.25	+4.45	+2.59	+7.49	+4.44	+34.72
Asia (185)	215.82	+0.58	+0.31	+9.27	+4.49	+12.78

GENUINE Siberian TIGER BONE MEDICINE

AS USED IN CHINA, etc.

TIGER BONE TINCTURE

For the treatment of dog bites, aches and pains and haemorrhoids.

HURRY! Only 300 SIBERIAN TIGERS LEFT

Probably no more than 300 Siberian tigers are left in the wild. That's because their bones and body parts fetch thousands of dollars in the Far East for use in dubious medicines and cures. You have the power to stop this insanity by calling 0345 414 616 and joining TUSK FORCE.

Help stop the unacceptable trade in wildlife and conserve endangered species through action and education.

Act now before it's too late.

For membership or to make a donation call 0345 414 616

TUSK FORCE
ACTIVELY PROTECTING ENDANGERED SPECIES
REG. NO. 1022453

NEW INTERNATIONAL BOND ISSUES

Issuer	Amount	Maturity	Coupon %	Price	Yield %	Launch spread	Book-runner	Domestic	Amount	Maturity	Coupon %	Price	Yield %	Launch spread	Book-runner
US DOLLARS															
Republic of Denmark	150	Sep 1999	5.65	100.00	5.65	-	Deutsche Bank	USA	100	Mar 1999	6.00	100.00	-	-	EUWA
UK Government	75	Oct 2000	6.0	100.35	6.00	+0.04	Barclays	UK	100	Mar 1999	4.50	100.00	4.60	-	DEE
Spain	100	Aug 2001	6.75	100.85	6.87	+0.02	Salomon	Spain	100	Dec 2002	6.125	102.65	5.60	-	RESE
Spain	100	May 1998	6.75	100.85	6.87	+0.02	Salomon	Spain	100	May 1998	6.75	100.85	6.87	+0.02	Salomon
D-MARKS															
Bank of Austria	250	Oct 2001	5.25	98.25	5.25	-0.07	ABN Amro	Austria	400	Sep 2001	6.00	98.75	6.00	+0.01	Barque
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Bank of Austria	250														

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND. Table with columns for Country, Closing, Change, Bid/offer, Day's Mid, One month, Three months, One year, Bank of England.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR. Table with columns for Country, Closing, Change, Bid/offer, Day's Mid, One month, Three months, One year, J.P. Morgan.

WORLD INTEREST RATES

MONEY RATES. Table with columns for Country, Over, One month, Three months, Six months, One year, Lomb. Inter., Dis. rate, Repo rate.

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES. Table with columns for Country, Bid, Offer, Bid, Offer, Bid, Offer, Bid, Offer, Bid, Offer.

FT GOLD MINES INDEX

Table with columns for Country, Bid, Offer, Bid, Offer, Bid, Offer, Bid, Offer, Bid, Offer.

EURO CURRENCY INTEREST RATES

Table with columns for Country, Short, 7 days, One month, Three months, Six months, One year.

UK INTEREST RATES

LONDON MONEY RATES. Table with columns for Instrument, Bid, Offer, Bid, Offer, Bid, Offer, Bid, Offer, Bid, Offer.

UK INTEREST RATES

LONDON MONEY RATES. Table with columns for Instrument, Bid, Offer, Bid, Offer, Bid, Offer, Bid, Offer, Bid, Offer.

RIGHTS OFFERS

Table with columns for Issue, Amount, Latest price, 1996 High, 1996 Low, Stock, Closing price.

UK GILTS PRICES

Table with columns for Maturity, Bid, Offer, Bid, Offer, Bid, Offer, Bid, Offer, Bid, Offer.

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Table with columns for Maturity, Bid, Offer, Bid, Offer, Bid, Offer, Bid, Offer, Bid, Offer.

STYLING FUTURES

Table with columns for Instrument, Bid, Offer, Bid, Offer, Bid, Offer, Bid, Offer, Bid, Offer.

STOCK INDICES

Table with columns for Index, Aug 30, Aug 29, Aug 28, Aug 27, Aug 26, Aug 25, Aug 24, Aug 23, Aug 22, Aug 21, Aug 20, Aug 19, Aug 18, Aug 17, Aug 16, Aug 15, Aug 14, Aug 13, Aug 12, Aug 11, Aug 10, Aug 9, Aug 8, Aug 7, Aug 6, Aug 5, Aug 4, Aug 3, Aug 2, Aug 1.

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Table with columns for Index, Aug 30, Aug 29, Aug 28, Aug 27, Aug 26, Aug 25, Aug 24, Aug 23, Aug 22, Aug 21, Aug 20, Aug 19, Aug 18, Aug 17, Aug 16, Aug 15, Aug 14, Aug 13, Aug 12, Aug 11, Aug 10, Aug 9, Aug 8, Aug 7, Aug 6, Aug 5, Aug 4, Aug 3, Aug 2, Aug 1.

NOTICE OF PREPAYMENT

ESP 20,000,000/- 10.35% Bonds due 10th October 1996. Notice is hereby given to the Bondholders that pursuant to the clause 'OPTIONAL REDEMPTION'...

THE TOP OPPORTUNITIES SECTION

For senior management positions. For information please contact: Robert Hunt +44 0171 873 4095

CONTRACTS & TENDERS

INVITATION TO TENDER FOR RECOVERY OF SCPS SAUVAN & GOULLETQUER as Judicial Administrator... CONTRACTS & TENDERS

Petroleum Argus Oil Market Guides

Table with columns for Instrument, Bid, Offer, Bid, Offer, Bid, Offer, Bid, Offer, Bid, Offer.

Petroleum Argus Oil Market Guides

Table with columns for Instrument, Bid, Offer, Bid, Offer, Bid, Offer, Bid, Offer, Bid, Offer.

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

Table listing various alcoholic beverage companies and their share prices.

BANKS, MERCHANT

Table listing banks and merchant companies and their share prices.

BANKS, RETAIL

Table listing retail banks and their share prices.

BREWERIES, PUBS & REST

Table listing breweries, pubs, and restaurants and their share prices.

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Table listing building and construction companies and their share prices.

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CHEMICALS

Table listing chemical companies and their share prices.

CHEMICALS - Cont.

Continuation of chemical companies and their share prices.

DISTRIBUTORS

Table listing distributor companies and their share prices.

DIVERSIFIED INDUSTRIALS

Table listing diversified industrial companies and their share prices.

ELECTRICITY

Table listing electricity companies and their share prices.

ELECTRONIC & ELECTRICAL EQPT

Table listing electronic and electrical equipment companies and their share prices.

ENGINEERING

Table listing engineering companies and their share prices.

ENGINEERING, VEHICLES

Table listing engineering and vehicle companies and their share prices.

EXTRACTIVE INDUSTRIES

Table listing extractive industries companies and their share prices.

FOOD PRODUCERS

Table listing food producer companies and their share prices.

HOUSEHOLD GOODS

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INSURANCE

Table listing insurance companies and their share prices.

INVESTMENT TRUSTS

Table listing investment trusts and their share prices.

INVESTMENT TRUSTS SPLIT CAPITAL

Table listing investment trusts with split capital and their share prices.

ELECTRONIC & ELECTRICAL EQPT - Cont.

Continuation of electronic and electrical equipment companies and their share prices.

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Table listing engineering companies and their share prices.

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Oracle advertisement featuring the text 'In a word, ORACLE' and 'The authority on a complete solution to effective company car finance and management.' Includes the ACL logo and contact information: 0800 269895.

مكتبة العربي

BY TRUSTS SPLIT CAPITAL - Cont.

Table listing various investment trusts and their performance metrics, including names like 'Aberdeen' and 'Fidelity'.

OTHER INVESTMENT TRUSTS

Table listing other investment trusts and their performance metrics.

INVESTMENT COMPANIES

Table listing investment companies and their performance metrics.

LEISURE & HOTELS

Table listing leisure and hotel companies and their performance metrics.

LEISURE & HOTELS - Cont.

Table listing leisure and hotel companies (continued).

LIFE ASSURANCE

Table listing life assurance companies and their performance metrics.

MEDIA

Table listing media companies and their performance metrics.

OIL EXPLORATION & PRODUCTION

Table listing oil exploration and production companies and their performance metrics.

OIL - INTEGRATED

Table listing oil-integrated companies and their performance metrics.

OTHER FINANCIAL

Table listing other financial companies and their performance metrics.

PAPER, PACKAGING & PRINTING

Table listing paper, packaging, and printing companies and their performance metrics.

PHARMACEUTICALS

Table listing pharmaceutical companies and their performance metrics.

PROPERTY

Table listing property companies and their performance metrics.

PROPERTY - Cont.

Table listing property companies (continued).

PROPERTY - Cont.

Table listing property companies (continued).

RETAILERS, FOOD

Table listing retailers and food companies and their performance metrics.

RETAILERS, GENERAL

Table listing general retailers and their performance metrics.

RETAILERS, GENERAL - Cont.

Table listing general retailers (continued).

SUPPORT SERVICES - Cont.

Table listing support services companies (continued).

TELECOMMUNICATIONS

Table listing telecommunications companies and their performance metrics.

TEXTILES & APPAREL

Table listing textiles and apparel companies and their performance metrics.

SUPPORT SERVICES

Table listing support services companies.

AM - Cont.

Table listing American companies (continued).

AMERICANS

Table listing American companies.

CANADIANS

Table listing Canadian companies.

CANADIANS

Table listing Canadian companies (continued).

SOUTH AFRICANS

Table listing South African companies.

Advertisement for 'A POOL OF TALENT HERE FOR THE DI-TECH POSITIONS WE REQUIRE' by Nick Garbell, Managing Director at Psychosis, a Sony Company. Includes contact number 0800 22 0151.

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Table listing offshore funds under Bermuda (SIB RECOGNISED) with columns for fund name, currency, and other details.

BERMUDA (REGULATED)**

Table listing offshore funds under Bermuda (REGULATED)** with columns for fund name, currency, and other details.

GUERNSEY (SIB RECOGNISED)

Table listing offshore funds under Guernsey (SIB RECOGNISED) with columns for fund name, currency, and other details.

GUERNSEY (REGULATED)**

Table listing offshore funds under Guernsey (REGULATED)** with columns for fund name, currency, and other details.

Table listing offshore funds under various jurisdictions including Jersey, Guernsey, and others.

IRELAND (SIB RECOGNISED)

Table listing offshore funds under Ireland (SIB RECOGNISED) with columns for fund name, currency, and other details.

IRELAND (REGULATED)**

Table listing offshore funds under Ireland (REGULATED)** with columns for fund name, currency, and other details.

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Table listing offshore funds under various jurisdictions including Jersey, Guernsey, and others.

ISLE OF MAN (SIB RECOGNISED)

Table listing offshore funds under Isle of Man (SIB RECOGNISED) with columns for fund name, currency, and other details.

ISLE OF MAN (REGULATED)**

Table listing offshore funds under Isle of Man (REGULATED)** with columns for fund name, currency, and other details.

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Table listing offshore funds under Jersey (REGULATED)** with columns for fund name, currency, and other details.

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Table listing various offshore insurance products, including company names, policy details, and financial information.

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OTHER OFFSHORE FUNDS table listing specific fund names and their prices.

MANAGED FUNDS NOTES: This section provides detailed information and disclaimers regarding the funds listed.

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Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

Table of stock market data for Europe, including Austria (Aug 30 / S&P), Belgium (Aug 30 / Ft), Denmark (Aug 30 / M), Germany (Aug 30 / Dm), Finland (Aug 30 / Mk), France (Aug 30 / Ft), Greece (Aug 30 / Ft), Ireland (Aug 30 / Mk), Italy (Aug 30 / Lit), Luxembourg (Aug 30 / Ft), Netherlands (Aug 30 / Ft), Norway (Aug 30 / Kron), Portugal (Aug 30 / Escudo), Spain (Aug 30 / Ptas), Sweden (Aug 30 / Krona), Switzerland (Aug 30 / Ft), and the UK (Aug 30 / Ft).

ASIA

Table of stock market data for Asia, including Hong Kong (Aug 30 / Ft), Japan (Aug 30 / Yen), Korea (Aug 30 / Won), Malaysia (Aug 30 / M), Philippines (Aug 30 / P), Singapore (Aug 30 / S), Taiwan (Aug 30 / T), Thailand (Aug 30 / B), and Vietnam (Aug 30 / D).

AMERICA

Table of stock market data for America, including Canada (Aug 30 / Ft), Mexico (Aug 30 / P), and the US (Aug 30 / Ft).

AFRICA

Table of stock market data for Africa, including South Africa (Aug 30 / Rand), Egypt (Aug 30 / Ft), and Morocco (Aug 30 / Ft).

INDICES

Table of various stock indices including Dow Jones, Nikkei, and others.

Advertisement for Rockwell Automatic Call Distributor (ACD) technology, which handles high volume in-coming calls. The ad features the Rockwell logo and a brief description of the technology.

US INDICES

Table of US stock market indices including Dow Jones, S & P 500, and various sector indices.

ASIA

Table of Asian stock market indices including Nikkei, Hang Seng, and others.

AMERICA

Table of American stock market indices including Dow Jones, S & P 500, and others.

AFRICA

Table of African stock market indices including South Africa, Egypt, and others.

INDICES

Table of various international stock indices.

INDICES

Table of various international stock indices.

INDICES

Table of various international stock indices.

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Table of various international stock indices.

INDICES

Table of various international stock indices.

INDICES

Table of various international stock indices.

Footnote and disclaimer text at the bottom of the page, including information about the FT Prime Annual Reports Service and other financial data sources.

NEW YORK STOCK EXCHANGE PRICES

Main table of stock prices with columns for stock symbols, prices, and volume. Includes sub-sections for 'D', 'C', 'E', 'F', 'G', 'H', 'I', 'J', 'K', 'L', 'M', 'N', 'O', 'P', 'Q', 'R', 'S', 'T', 'U', 'V', 'W', 'X', 'Y', 'Z'.

Advertisement for Hewlett-Packard with the text 'Time waits for no one. If the business decisions are yours, the computer system should be ours.' and the HP logo.



معلومات السوق

Continued on next page

NYSE PRICES

Table of NYSE stock prices including columns for stock name, price, and change. Includes sub-sections for 'Continued from previous page', 'T', 'U', and 'X-Y-Z'.

NASDAQ NATIONAL MARKET

Table of NASDAQ National Market stock prices including columns for stock name, price, and change. Includes sub-sections for 'L', 'M', 'N', 'O', 'P', 'Q', 'R', 'S', 'T', 'U', 'V', 'W', 'X', 'Y', 'Z'.

AMEX PRICES

Table of AMEX stock prices including columns for stock name, price, and change.

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Continuation of stock price tables from the NASDAQ section, including sub-sections for 'A', 'B', 'C', 'D', 'E', 'F', 'G', 'H', 'I', 'J', 'K', 'L', 'M', 'N', 'O', 'P', 'Q', 'R', 'S', 'T', 'U', 'V', 'W', 'X', 'Y', 'Z'.

FT GUIDE TO THE WEEK

MONDAY 2

Russian regional elections

Results are expected from gubernatorial elections in Saratov, a southern Russian region, which mark the beginning of an autumn electoral marathon. Russia's ballot-weary voters will select 52 new governors, 32 mayors and 42 local government councils in what politicians see as the final step in the country's march towards democracy. Although many of the battles pit one of President Boris Yeltsin's men against a Communist rival, the two sides seem nevertheless to be learning the art of compromise.

Kohl goes to Ukraine

Helmut Kohl, the German chancellor, leaves for an official two-day visit to Ukraine, where he will be keen to underline Germany's support for economic reforms, independence and democracy. With him will be a large business delegation looking for deals, notably in the energy and agricultural sectors. Ukraine, for its part, sees Germany as its advocate in the European Union and Nato.

China-Asia forum gathers

Mahathir Mohamad, the Malaysian prime minister, delivers the keynote address at a China-Asia forum in Kuala Lumpur. Wu Yi, China's minister of foreign economic relations, will be the main speaker for the Chinese side. Likely topics include China's role in Asia as its military, economic and political power expands; and China's trade and investment in South-east Asia.

Public holidays

Bermuda, Canada, Guam, Luxembourg, Puerto Rico, Virgin Islands.

TUESDAY 3

UK manoeuvres in Poland

A three-week exercise by the British Army's 7th Armoured Brigade starts in Poland's Drawsko Pomorskie training area. This is the first time that a Nato unit of this size will have crossed the former east Germany to train on the territory of a former Warsaw Pact member. Manoeuvres on this scale - 4,000 personnel, 490 armoured vehicles - would previously have taken place in Canada. They will be attended by Michael Portillo, the UK's defence minister, as well as senior Polish and Ukrainian defence officials.

South Pacific nations meet

Leaders of the 16 independent island nations of the South Pacific Forum gather for their annual meeting at Majuro, in the Marshall Islands (to



Michael Portillo, the UK defence minister, observes the British 7th Armoured Brigade which begins a three-week exercise in Poland on Tuesday

Sept 5). The theme is "Pacific Solidarity for the Common Good". However, Australia and New Zealand will try to keep the focus on economic reform and sustainable resource use. One subject likely to be raised is the "Sparteca" trade agreement, allowing island nations preferential access to Australasian markets. Nations will also decide whether to reinstate France, a *bita nobis* because of its nuclear tests, to join the post-forum dialogues.

Kim tours Latin America

With Latin America emerging as a new investment area for Korean conglomerates, Kim Young-sam, the South Korean president, leaves on a 18-day, five-nation tour of the region. Mr Kim, accompanied by 30 business leaders, will visit Guatemala, Argentina, Brazil, Chile and Peru. Korean industrial groups have announced plans to invest nearly \$2bn (£1.2bn) in Latin America by 2001.

Yates pushes beef reforms

Ivan Yates, the Irish farm minister, addresses the European parliament agriculture committee. He is anxious to secure agreement from MEPs that parliamentary procedures be speeded up so that crucial reforms to the beef market to cope with the mad cow crisis can be agreed quickly. Ireland holds the presidency of the EU. Mr Yates will also - along with Franz Fischer, the EU farm commissioner - address the parliamentary committee investigating allegations that the Commission attempted to cover up evidence of BSE in the early 1990s.

Public holidays

Qatar, San Marino.

WEDNESDAY 4

Labour business initiative

The campaign by Britain's opposition Labour party to woo the business vote shifts into a higher gear when it launches a business prospectus at a conference in London's Queen Elizabeth II centre. The conference will be addressed by the party's senior figures, including Tony Blair, the leader. The prospectus will stress Labour's commitment to low taxation, tight controls of public spending, ensuring the UK has a central role in Europe, and raising standards in education and training. The document will also try to reassure business about Labour's tax plans.

Volkswagen in EU dispute

European commissioners hold their first weekly meeting since the summer break. High on the agenda will be the dispute between Karel van Miert, the competition commissioner, and Germany over state aid paid to the car manufacturer Volkswagen. The Commission is to consider bringing court proceedings over money that was paid to Volkswagen by the state of Saxony. The Commission is likely to agree that the matter should go before the European Court of Justice. There remains a faint possibility, however, that court action could be averted by a last-minute deal.

FT Survey

FT Review of Information Technology.

THURSDAY 5

González faces GAL ruling

Spain's supreme court meets to decide whether Felipe González, the former Socialist prime minister, should be called to answer accusations that he was responsible for the activities of the Anti-Terrorist Liberation Groups (GAL) in the 1980s. This is a crucial moment for the inquiry into "dirty war" activities against Basque terrorists, with senior officials, including a former interior minister, already facing charges. In April, the investigating magistrate found there was no evidence to back up allegations made against Mr González. However, the full court has to make the final decision.

German GDP recovery

The announcement of a recovery in Germany's gross domestic product in the second quarter will coincide with a likely warning from the Organisation for Economic Co-operation and Development that the government must act decisively to make the economy more efficient. The latest monthly unemployment figures for August will also be released. The Bundesbank central council, in Frankfurt, is certain to leave interest rates unchanged after last month's sharper than expected cut in the securities repurchase (repo) rate.

Graf family tax trial

Germany's tax trial of the decade gets under way in the southern German

city of Mannheim when Peter Graf, the father of tennis star Steffi Graf, is to answer charges of evading income taxes totalling DM19,668,469 (£8.6m).

Surinam president chosen

Surinam's 869-member United People's Assembly chooses the country's president and ends a three-month deadlock in parliament. No candidate has been able to obtain the two-thirds majority needed from parliament since the general election. The United People's Assembly, comprising parliamentarians and regional and municipal councillors, will elect the president by a simple majority. The incumbent, Ronald Venetiaan, is the favourite to lead the former Dutch colony, in north eastern South America, for another five years.

Aznar in Mexico

José María Aznar, the Spanish prime minister, begins a visit to Mexico (to Sept 6). Spain has been one of Mexico's strongest supporters in its quest for a free-trade accord with the EU. Mr Aznar is expected to address Spain's large trade deficit with Mexico - for which the countries are also to set up a small joint development trust.

Moves to unify Bosnia

International representatives to the steering board of the Peace Implementation Council in Brussels meet to forge a strategy for the period following Bosnian elections on September 14. The envoys from the G7 countries and Russia will hammer out a plan for building joint governing institutions. These will be aimed at unifying Bosnia's two halves - the Bosnian Serb entity and the Moslem-Croat Federation.

Equestrianism

Burghley three-day event, Stamford, England (to Sept 8).

FRIDAY 6

Christopher in Stuttgart

Warren Christopher, the US secretary of state, concludes a trip to Britain, France and Germany with a speech in Stuttgart on European security. The speech will be watched closely for clues on the pace of Nato enlargement, the future relationship between Russia and Nato, and the possible deployment of a new peacekeeping force in Bosnia next year. By making the speech in Germany, Mr Christopher is underlining the key role of German-US co-operation in maintaining stability in central and eastern Europe.

Public holidays

Pakistan, Sao Tome, Swaziland.

SATURDAY 7

Kohl visits Yeltsin

Germany's Chancellor Helmut Kohl becomes the first western statesman to visit Boris Yeltsin, the Russian

president, since the latter's election victory two months ago. The two men are close friends but this informal meeting at Mr Yeltsin's holiday home is likely to be overshadowed by uncertainty over the Russian leader's health - and concern in Bonn about the conflict in Chechnya.

Elections in Kashmir

The first phase of polls to elect the state assembly in the troubled Indian state of Jammu and Kashmir begins. The elections, ending nearly seven years of central rule, will be staggered over this month and held amid heavy army and police security. The Indian government, which has been unable to hold elections in the state since the government of the National Conference party ended in 1990, hopes a new state government will end seven years of armed insurgency which has killed more than 20,000 people and crippled business and tourism.

Cricket

NatWest Trophy final, Lord's cricket ground, London.

Athletics

IAAF grand prix final, Milan.

Public holiday

Brazil.

SUNDAY 8

Mexican mariachi finale



Mexico's week-long International Mariachi Meeting ends with a grand finale for the aficionados of the music, big hats, bushy

moustaches and leotards. The festival, in its third year, draws mariachi music bands from as far away as Tokyo, Rome and Munich. The last day includes a Great Mexican Fiesta - which is what mariachi music is all about.

Science festival in UK

Britain's largest scientific meeting, the British Association's Annual Festival of Science, opens in Birmingham (to Sept 13). Thousands of scientists, students and members of the public will discuss scores of subjects, ranging from the cause of mad cow disease to the disposal of radioactive waste. Although no longer a place where important original research results are published - as they were in the 19th century - the festival is still a lively forum for scientific debate and popularisation.

Motor racing

Italian grand prix, Monza.

Compiled by Simon Strong. Fax: (+44) (0)171 873 3194.

ECONOMIC DIARY

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual	Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	UK	Aug MO*	0.9%	0.4%	UK	Jul manufacturing output**	0.3%	-0.3%	
Sept 2	UK	Aug MO**	7.0%	7.1%	UK	Jul manufacturing output**	0.1%	-0.5%	
	UK	Aug Chart Inst of Purchasing Managers	50.9%		Canada	Aug employment††		0.1%	
Tue	Japan	Aug forex reserves*	7.0%		Canada	Aug unemployment rate		9.8%	
Sept 3	UK	Aug official reserves		-\$17m	US	Aug non-farm payrolls	236k	189k	
	US	Jul leading indicators	0.5%		US	Aug manufacturing payrolls	8k	-20k	
	US	Aug Nat. Ass of Purchasing Managers	50.2%		US	Aug hourly earnings	0.3%	-0.2%	
	US	Aug domestic car sales	7.4m	6.6m	US	Aug average workweek		34.3	
	US	Aug domestic light truck sales	6.1m	6.0m	US	Aug unemployment rate	5.3%	6.4%	
Wed	Canada	Jul building permits*		-0.4%	During the week...				
Sept 4	US	Jul construction spending	0.1%	1.2%	Germany	Jul industrial production, par-Ger**	0.5%	0.7%	
Thurs	Italy	Aug consumer price index**	0.1%	-0.2%	Germany	Jul manufacturing output, par-Ger**	0.4%	0.9%	
Sept 5	Italy	Aug consumer price index**	3.4%	3.6%	Germany	Jul industrial production, west*		0.3%	
	Germany	Aug unemployment, west†	0.0k	6k	Germany	Jul industrial production, east*		0.9%	
	Germany	Aug unemployment, east†	-5.0k	-11k	Belgium	Aug unemployment rate	14.4%	14.5%	
	Germany	Aug unemployment, par-Ger†	-5.0k	-6k	Germany	Q2 gross domestic product, west*	0.5%	0.3%	
	Germany	Jul employment, west†	-4.0k	8k	Germany	Q2 gross domestic product, west*	0.5%	0.3%	
	Germany	Aug vacancies, west†		6k	Germany	Q2 gross domestic product, par-Ger**	1.1%	0.2%	
	Germany	Aug short-time, west, not†		-35k	Germany	Q2 gross domestic product, par-Ger**	0.6%	0.4%	
	UK	Aug housing starts	N/A		Japan	Aug trade balance (incl. 20 days) not†		¥510bn	¥500bn
	Canada	Aug foreign reserves (billion)		-\$240m	Japan	Jul current account (IMF) not†		¥500bn	¥500bn
	Canada	Aug help wanted index†		89	Japan	Jul trade balance (IMF) not†		¥500bn	¥500bn
	US	Jul home completions	1.47m	1.4m	Japan	Jul foreign bond investments*		¥252.5bn	¥252.5bn
Fri	UK	Jul industrial production*	0.5%	1.1%	Germany	Jul manufacturing orders, par-Ger**	0.5%	0.9%	
Sept 6	UK	Jul industrial production**	0.8%	0.8%	with an initial 10% cut on Oct 1, 1996. *Statistics courtesy of the relevant authorities.				

Other economic news

Monday: With the next UK monetary meeting due this week, UK data will be scrutinised particularly closely. The purchasing managers index will be watched for signs that manufacturing is rebounding again.

Tuesday: The US National Association of Purchasing Managers will be watched for signs of inflationary pressures.

Wednesday: Mr Kenneth Clarke, UK chancellor, meets Mr Eddie George, governor of the Bank of England, for their latest monthly monetary meeting. Some economists suspect that the chancellor will be tempted to cut rates again, from their current level of 5.75 per cent. However, this is likely to be resisted by the governor.

Thursday: Unemployment data in Germany will be watched for hints of an upturn. Economists expect the data to show a slight fall in August.

Friday: US payroll data are likely to point to further job creation in August, highlighting the steady economic growth.

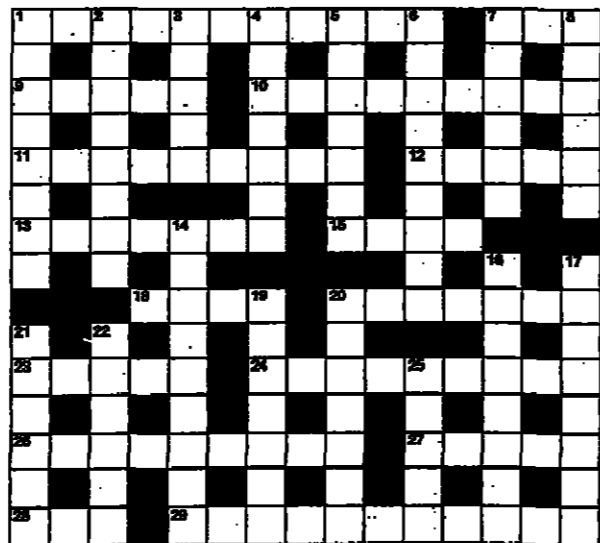
UK manufacturing data should show a slight monthly increase in output.

ACROSS

- Academically selected, holding nothing back, being designed for the fast track (11)
- A letter for the first time? (3)
- Animal snapped at the child (6)
- A slow mover who might stop or gad about (9)
- A sign of respect (9)
- Pignose firm in embargo (9)
- Inner core overturn peacekeepers working on clues (7)
- Takes away the wood (4)
- Tick the work, although it's cut short (4)
- Used to have to take the tail off the fish (7)
- First class, but after another lap has no finish (7)
- Bow, perhaps, to her current prowess (9)
- Refuse to admit it gives the highest score on the table (9)
- French dream about English official (5)
- Drink found in every estaminet (3)
- Topped last month's advertisement about mine being consumed (11)

DOWN

- Make someone appear to open a bus service (8)
- Economists about rescheduling rent at church (6)
- When second man goes in for cricket prize (5)
- The stories support the objectives (7)
- Fresh new climb (7)
- The aim of feathered flight (9)
- Two secretaries, extremely chirpy in office (6)
- Element that is surrounding the gun (6)
- Reserved for those with lobar tattoos? (9)
- Having a lot of space, but more is to be negotiated (8)
- Unhappy about relative he finds is a tearaway (8)
- Lot leaving an acropolis in ruins is very commonplace (7)
- Moustache, say, above the mouth, could be a blemish (4-3)
- He needs a head for work (6)
- Work, I note, contains a ring (5)
- Get the better of the bottom of the range (5)



MONDAY PRIZE CROSSWORD No.9,162 Set by ADAMANT

A prize of a Pallick New Classic 350 fountain pen for the first correct solution opened and five runner-up prizes of £28 Pallick vouchers will be awarded. Solutions by Thursday September 13, marked Monday Crossword 9,162 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9EL. Solution on Monday September 16. Please allow 28 days for delivery of prizes.

Name: _____ Address: _____

Winners 9,150
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L E W H O M O R E M E N T
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Golf: no need for mid-life blues

Golf stars enjoy such a long playing life that their interminable and sometimes dreary doings often span decades.

three tournaments, the Irish, British and German Opens.

Perhaps Tiger Woods, the American 20-year-old who turned professional last week and of whom stirring deeds are expected, will ponder Ballesteros's long decline and plan his career along radically different lines.

A bit unfortunately, Ballesteros said last week that he wanted tough players who could handle pressure in his team. He was speaking at the start of the British Masters at Collingtree Park, Northampton, the first tournament in which players could earn Ryder Cup qualifying points for Valderrama in southern Spain, next year.

Ballesteros said he had not ruled out being a player-captain, "though the way I am playing right now I don't think so. But I hope I can play a little better and then I can make [a] decision" - this from a man who had missed the halfway cut in his last

The next day, the Spaniard teed-off at Collingtree and almost immediately hit trouble, missing a succession of greens and plugging his ball in the sand. He reacted with a short, sharp show of anger.

Someone should have faxed Ballesteros a copy of what Swedish tennis ace Stefan Edberg, who is 30, said in New York last week that day. Edberg, unseeded and wearing all-white - no Andre Agassi purples for him - was playing in his 54th consecutive grand slam event (also his last one) and had just squashed Wimbledon title holder Richard Krajicek of the Netherlands 6-3 6-3 6-3 in the first round of the US Open. Edberg had showcased some beautiful shots.

"I don't really want to hang around playing tennis out there if I can't perform the way I want to perform," Edberg, who is ranked 28th in the world, said later. "I haven't performed over the last year and a half. I want to be in the top 10 and really have a chance of winning a grand slam."

But those years were over. "Once you go past 30, 31, 32, the chances of your winning a grand slam are so little.

I've been on the tour for many, many years. It's time for me to go before it's too late."

It is not Ballesteros's fault that he is still deemed newsworthy. It is the golf writer's fault. Funny job, golf writer. They spend most of their days in a tent, staring at the leader board, scribbling at laptops, eating cheese sandwiches. It damages the brain.

Meantime, golf at least has the name of Tiger Woods to toy with. Woods, the winner eight days ago of a record third consecutive US Amateur title, announced he was turning pro at last week's Greater Milwaukee Open, in which he competed. He is reported to be lining up a five-year endorsement deal with Nike, said to be worth \$40m, and a \$3m-45m, three-year contract with golf equipment maker Titleist.

Even at the US Amateur, Woods was accompanied by a swing instructor and a psychologist, and was followed nearly every step of the way by Nike chief executive Phil Knight, who said he would do whatever it took to bind Woods to Nike.

Woods carries a great burden of expectation, though it is universally agreed he has the "X" factor: the aura of stupendous feats to come that stars-in-waiting usually possess. His father, Earl, says: "Tiger is ready. I saw talent in him when he was three days old." Butch Harmon, Woods' swing doctor,

says: "As far as pure, raw athletic ability [goes], he's got more of that than any golfer who has ever been great." And PGA tour veteran Duffy Waldorf, who was paired with Woods in a pro-am tournament last Wednesday, said he believed he had witnessed "the future of golf."

By the time Woods is Edberg's age, he is likely to be exceedingly rich. By the time he is as frumpy as Ballesteros, perhaps he will have done us all a favour and embraced dignified, if temporary, retirement. In 2011, when he is 35, Woods could start a 15-year sabbatical before returning in 2026 to top up his pension on the seniors' tour. By 2026, prize-money levels, even for the oldsters, will be utterly crazy.

Britain's chancellor, Kenneth Clarke, is used to the bigwigs of UK horse racing banging their begging bowls on his desk. From March 1 this year Clarke cut the rate of betting tax by 1 percentage point, to 6.75 per cent of turnover. The aim: to help bookmakers stem the tide of lost business to the UK's steamrolling national lottery.

In addition to betting tax, long-suffering bettors also pay a special levy which is funnelled into racing via the Horserace Betting Levy Board. Without that levy, racing would collapse.

But the sport still reckons the rate of betting tax is too high, and has asked the chancellor to cut it again in his Budget in November, from 6.75 per cent to 5 per cent. General betting duty raises some £340m annually, in addition to other racing-generated tax revenues of £140m or more.

The British Horseracing Board, whose chairman is Lord Wakeham, a skilled corporate and political Mr Fixit, has told the Treasury that for "too long betting has been overtaxed [and] racing has been underfunded".

Wakeham adds: "For too long this overtaxation and underfunding have constrained the development of racing and the betting industry, notwithstanding their strong records of self-help. The arrival of the national lottery has further destabilised an already fragile situation."

But has it? Moneywise, racing is probably the biggest, most complex sport there is - bigger, even, than soccer, if anyone could get at all the figures. But the claim that UK racing is "underfunded" is contentious, to say the least.

Kenneth Clarke's officials are doubtless studying the arguments for another reduction in betting tax in world-weary fashion. As it happens, I have dreamt up a way to solve the sport's problems at a stroke. But it needs a bit of space. It will have to wait till another day.



Tiger Woods: could retire at 35 yet earn a second fortune at 50

Colin Amery · Architecture

Fame awaits the discreet pioneers

Sometimes I get the feeling that there are only about 10 architects in the world, for the same names come up time and again. Yet in the UK alone there are some 25,000 registered architects. Where are the new talents? One reason it is hard for new firms to get recognition is that it takes architects a long time to become established: at least 10 years for a modest firm to make a name and win commissions.

Lifschutz Davidson was formed in 1986 and the two main partners have strong pedigrees. They met when they were both working on the Hong Kong Shanghai Bank with Norman Foster's practice. You would expect them to be uncompromisingly high-tech,

but they are not dogmatic and are prepared to be highly responsive to each site and commission. Their portfolio has grown from community housing and small commercial work to include supermarkets, a power station, a railway station at Rickmansworth, and refurbishment of the listed Oxo building on London's South Bank.

I believe them to be one of the best small younger practices in Europe, yet they are modestly personified. No doubt they will achieve fame when their restaurant for the Harvey Nichols department store on top of the Oxo building opens in the middle of this month. But I hope fame does not spoil them. I especially like the way they

have quietly got on with producing sophisticated designs that are gently radical. They have had a long involvement on the site on the South Bank of the River Thames known as Coin Street. This is where the local community proved convincingly by their own actions that it is possible to prevent the wrong kind of development and gradu-

ally renew an area and nourish it with good new architecture. Although a landmark, the Oxo building was hardly distinguished, but the £20m renovation has significantly enhanced it and made it a model for the re-use of centrally placed, redundant, large-scale buildings. The mixture of uses - restaurants, shops, studios and public areas - is the

key to the project's success. The firm has now been commissioned to tackle the reordering of the traffic and pedestrian movement between Waterloo station and the river to create a new and civilised arrivals place for Eurostar and all rail travellers. This is lamentably overdue. There is something discreetly pioneering about this firm, which has designed, at Eye in Suffolk, the first environmentally friendly power station that burns chicken "litter". Lifschutz Davidson has demonstrated that fame follows performance: in its careful quality, its work speaks for itself.

Advertisement for Aldorf featuring a large number '39' and a list of prices: £47, £49, £28, £49, £59.

MEDIA FUTURES



Apologies to Edward Hopper

Smart cards revive café society

The cybercafé formula will undergo rapid evolution, says Victoria Griffith

On a rainy recent Friday night, I made my way to Cybersmith in Cambridge, Massachusetts...

plans to grow fast, with new cafés planned for Palo Alto, Los Angeles, Chicago and Manhattan...

adult activities as well. Remember the old photo booths? One couple giggled in front of a screen displaying their image...

much better than video games," said the proud father seated by his side. "It helps him build mind skills."

buy a "smart card" that can be swiped through any of the machines. The computerised photographs that go on T-shirts can also be placed on mouse pads...

Round-the-world yachts to be pinpointed on the Net

Stephen McGookin on a novel aspect of BT's Global Challenge

Picture the scene. You're soaked through, you're clinging to the mast of a boat that is rounding Cape Horn, being tossed about by terrifically strong winds...

(www.btchallenge.com) was launched last week, and BT hopes it will enable a global audience to track the 14 yachts throughout their 30,000-mile journey.

greater knowledge among the skippers will make the race more competitive. "During the Whitbread Round the World Race," he says...

lots of good consumer-related information and news about product recalls. Interested in owning a Norman Rockwell lithograph? You can bid for two Tom Sawyer sepia-tone lithograph sets...

Tim Jackson Sticking to the fax



Has it ever struck you as strange that in the Internet and the phone system, the world now has two competing telecommunications networks? The important difference between them is that the Net is a packet-based system...

sending an e-mail to Faxaway, putting the recipient's fax number, including international and area codes, on the left of the @ sign. (To send a fax to the FT's letters editor, you would e-mail to 44171733559@faxaway.com).

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Cyber sightings. The UK's Triumph Motorcycles is a company with the sort of cult status outside its home country enjoyed by, say, its competitor Harley-Davidson.

Elvis Presley Enterprises has finally set up Graceland (www.elvis-presley.com), the authorised Web site of this huge business concern.

Financial Times on the World Wide Web. www.ft.com. Updated daily.

Financial Times on the World Wide Web. www.ft.com. Updated daily.

BUSINESS EDUCATION

Business schools in the UK are en route for full accreditation, writes Della Bradshaw

Recognising the inevitable

Britain's two largest business school bodies are burying the hatchet in an attempt to forge a joint accreditation scheme for the masters of business administration (MBA) degree courses offered by UK business schools.



INTERNATIONAL BUSINESS SCHOOLS GET TOGETHER

This should not prove too irksome for Amba, which already accredits courses from 31 UK schools and only admits MBA graduates from those elite schools as members.

Greensted, director of the Strathclyde Graduate Business School, and chair of the ABS working party on accreditation, "I think if it was only a 51 per cent majority we'd be a little concerned."

Under the proposed system there will be three grades. Top-notch courses will be "accredited". About 40 per cent of courses should achieve this - slightly more than accredited by Amba today.

for some smaller schools. The proposed UK MBA accreditation scheme (UKMAS) will have a more far-reaching brief than the present Amba system. All schools will undergo the review - Amba only assesses those which request the procedure.

NEWS FROM CAMPUS

Management revolution The latest fashionable management trend, "360° Feedback", is proving a powerful way to assess employee performance, but has its drawbacks.

CONFERENCES & EXHIBITIONS

SEPTEMBER 4 & 5 Introduction to Derivatives This course is designed for individuals requiring technical understanding of the product where limited exposure has been achieved.

SEPTEMBER 9 & 10 Trading International Money Market Instruments For Trainers/Instructors working for banks, financial institutions and broking companies.

SEPTEMBER 10/11 Introduction to Capital Markets Training course covering Bonds, Equities and introducing their derivative markets (Futures and Options).

SEPTEMBER 10/11 Exchange and Money Markets Highly participative training course covering traditional FX and money markets featuring WINDEAL, a realistic PC based dealing simulation.

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SEPTEMBER 19 Exotic Currencies of Eastern Europe Major international conference looking at opportunities and risks involved in trading emerging currencies of Eastern Europe.

SEPTEMBER 21-22 Chartered Institute of Marketing Diplomas and Advanced Certificate Courses in the above, delivered at weekend sessions in Cambridge.

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SEPTEMBER 24 Global Competitiveness: Opportunities and Challenges Today's business environment is more competitive than ever before, as trade barriers diminish, emerging market economies witness rapid growth.

SEPTEMBER 24/25 Understanding Treasury Derivatives Training course covering risks in treasury markets and how derivatives can be used.

SEPTEMBER 25 Achieving Business Excellence - Managing Best Practice Quality is people driven, employees must be involved every step of the way if excellence is to become an everyday part of your business.

SEPTEMBER 25 Managing Mobility - Latest trends in international employment This conference is designed for HR professionals responsible for sending people on international assignments.

SEPTEMBER 25-26 So You Want to Buy a Form Fill & Seal Machine LFB Filler Seminars designed to bring packaging machinery designers up to date on the 'state of the art' in a range of specific types of equipment.

SEPTEMBER 26-27 INPOWER 96 EXHIBITION The 12th Independent Power Generation Exhibition for specialist purchasers, manufacturers or operators of power generation equipment and services in any organisation.

SEPTEMBER 26-27 Financial International Trade As a government worldwide commitment to a competitive trading activity expands to take on new trading blocs, such as central and eastern Europe.

SEPTEMBER 28 A New Approach to Technical Analysis The first major developments in technical analysis for 10 years are discussed at this one day educational forum.

SEPTEMBER 9-11 Introduction to Corporate Finance This course covers the fundamentals of corporate finance and is suitable for generalist bankers who need to be grounded in the financial opportunities available to corporate treasurers and finance directors.

OCTOBER 15 & 16 Developing the New IT Scorecard Delivering business value is a recognised priority for IT. The challenge lies in translating this goal into a measurable strategy.

OCTOBER 15 & 16 Towards the Agile Enterprise An international conference and workshop based by Cranfield School of Management and CEST to address the strategic importance of Agility - the 'post-lean' business paradigm.

OCTOBER 16-17 First Capacity Planning and Scheduling in Component and Assembly Manufacturing Keep it Simple - Make it Effective - Increase the Business.

OCTOBER 22 Utility Week - IT in Utilities Congress Hamburg Congress Centrum The IT in Utilities '96 Congress and Exhibition is the second forum of its kind for senior managers in the electricity, gas, telecoms and water industries.

OCTOBER 22-23 Business Performance Measurement A two day conference addressing the key lessons in the implementation of business performance frameworks including practical lessons in the Balanced Scorecard, Process Benchmarking and Quality approaches.

OCTOBER 23 Building the Corporate Data Warehouse The Data Warehouse is the first architectural solution to long standing information management problems.

INTERNATIONAL SEPTEMBER 19-24 Polagra - International Agro-Industrial Fair NATIONAL HORTICULTURAL EXHIBITION TAROPAK - International Packaging, Storage and Handling Exhibition

NOVEMBER 4-6 Data Mining/Data Warehouse (Seminar) The complex interaction of information and decision technologies and their application to business solutions are explored by NCR, IBM, SQL, ISI, and SPSS.

SEPTEMBER 25 & 26 Israeli Capital Markets & Investment Conference A major international conference to look at post election prospects for direct & portfolio investment in Israel.

OCTOBER 13-15 Business Analysis: The European Dimension A Gathering of Competitive Intelligence Professionals. Sponsored by SCIP & SCIP Europe.

OCTOBER 17-18 Is Your Company Prepared for a SINGLE CURRENCY? An essential 2 day guide to the legal, strategic, financial, accounting, IT, human resource and training implications of preparing your company for 1999.

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BUSINESS TRAVEL

Travel News • Roger Bray

China syndrome

Watch out for the honey trap in China. A UK company specialising in executive protection warns that the none-too-subtle sexual come on is increasingly favoured there as a means of extracting information from travelling executives.

A method long associated with the former Soviet Union and its satellites, it has proliferated with the explosion of new Chinese infrastructure projects. It has been made easier by the westernisation of cities such as Shanghai and the

opening of more night clubs and smart hotel bars, says London-based Ian Johnson Associates.

But it is not all high-powered industrial espionage. The tactic may be used by local interests to find out where and how foreign companies are doing business. The company says it is also employed as a way of stealing sophisticated equipment carried by business travellers - notably laptop computers and mobile telephones.

The warning follows recent advice from the UK Foreign Office that sexual

harassment, sometimes followed by violence, has become a hazard in the south of the country.

Laker goes upmarket

Sir Freddie Laker is to introduce business class on his reborn trans-Atlantic airline. To be called Regency Premier, it promises leather seats, a seat pitch of between 48ins and 50ins (the gap between your seat back and the one in front) and individual video screens.

Laker Airways operates scheduled services from Gatwick to Fort Lauderdale in Florida, and from Manchester or Prestwick to

Orlando. Gatwick-Orlando flights are charters, but aircraft will be fitted with the new cabin. The airline's fleet of DC 10-30 aircraft is expected to have been converted by October or November.

Group bows out

Inter-Continental has stopped managing the former Vitosha Hotel in the Bulgarian capital, Sofia. The group confirmed in a terse statement that its contract had ended but steadfastly refused to explain why.

Its business was hardly helped by Bulgaria's economic crisis and was badly hit when UN observers in Bosnia - who had used it as a base - decamped following the Dayton peace accords.

Meningitis alert

An outbreak of viral meningitis has been reported from Cyprus. The disease is mainly affecting young children in the Limassol area and is passed on most commonly through contact with them.

It is a mild form and the risk to travellers is considered to be low. However, travellers experiencing symptoms including fever, headaches, vomiting and stiffness of the neck should consult a doctor.

Wash away aches

Guests at a new hotel planned in Wichita, Kansas, will be able to ease aching muscles in hydrotherapy pools. The 300-room Hyatt Regency is due to open in the autumn next year next to the city's Century II Convention Centre.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thu	Fri
Hong Kong	24	24	22	21	20
London	12	12	12	12	12
Frankfurt	12	12	12	12	12
Los Angeles	20	20	20	20	20
Paris	21	21	21	21	21

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Amman

Amon Cohen reports on an American company which is pioneering a paperless expenses reporting system

The price of honesty

Try this for an honesty test. If your company declared that it no longer required receipts to back up your expense claims, how tempted would you be to cheat? Five taxi rides in Geneva when you only took two, perhaps, or a £50 meal at a gourmet restaurant when all you had was a Big Mac?

Dispensing with receipts sounds like giving corporate travellers a licence to swindle, yet Hewlett-Packard, the US electronics group, has done exactly that. Furthermore, it claims it is saving - not losing - money. The company does require staff to provide paper receipts, but only so that they are available for inspection by tax authorities. They are not scrutinised by financial services staff to ensure that they match expense claims.

The company makes its savings by computerising its expense reporting process. After a trip, travellers fill in their expenses on their computers. The electronic form is routed from there to a financial services centre, from where reimbursements are paid electronically into the traveller's bank account.

Having an electronic system and doing away with the fuss of scrutinising receipts has helped Hew-

lett-Packard reduce the number of sites that handle general ledger accounting, from 56 to two in the US and from 25 to four in Europe. The company believes this produces savings of \$1m (£645,000) a year, more than outweighing any abuse of the system by unscrupulous employees. A less tangible benefit is the goodwill that this trust in the honesty of employees engenders.

Hewlett-Packard has succeeded in reducing its operating expenses as a percentage of turnover from 40 per cent in 1988 to 25 per cent in 1995, so it would appear to be doing something right. But surely most employees are taking advantage of the lax expense reporting procedures by making exaggerated claims?

Not so, says Maddy van Amstel, the company's travel and procurement manager for Europe. "We feel people want to do the best for their company, so we trust them and treat them like adults." René Trullemans, who is European financial services manager for the company, agrees. "People who want to do this are an extreme minority," he says.

Perhaps the fact that Hewlett-Packard is an American-owned company has something to do with this. Like

so many US businesses, it seems to arouse fierce devotion from its employees, rather than the cynicism that is often a part of the European corporate psyche.

When one considers that Trullemans starts work at 6.45am, a time that Earl Foster, the company's worldwide travel operations manager in the US, considers an indulgently late one, it is easy to understand why

We have all been handed a wad of empty receipts or asked how much we want written on a receipt by taxi drivers

employees would not fiddle their expenses.

Furthermore, this recognises another important fact. "The more strict your control, the more people will find ways around it," says van Amstel.

Trullemans has a story to back this up. He recalls checking the expenses of Gilbert, a close colleague who had been on a trip to Saudi Arabia. Trullemans was aghast to discover that

the man was claiming for the purchase of a pair of boots. He warned Gilbert that he would have to report him if he did not remove the claim for the boots, but Gilbert refused and invited him to do his worst.

The claim was duly noted and rejected. But Gilbert had his revenge. The following month he submitted an expense claim that was fully in order, with immaculate receipts to support each item. However, Gilbert added a note in the "remarks" column of the expense claim form. It said: "Guess where the boots are!"

As Trullemans observes, we have all been handed empty receipts or asked how much we want written on a receipt by taxi drivers. Expense reporting always relies to some extent on the honesty of the claimant.

Hewlett-Packard does exert one form of control: it has a list of average living expenses in the world's main cities. If travellers constantly return claims for meals more expensive than those suggested by the list, they are asked to account for their actions.

Although the overhaul of expense reporting forms a minute part of the company's war on operating costs, it is a good example of its

strategy for cost control in an era of declining profitability for information technology industries. The essence has been to consolidate systems and processes while devolving management responsibility to the lowest possible levels.

"What we have done as a company is to make cost-cutting part of a manager's job description," says Foster. "Right down to the level of departmental manager, we get them to set budgets. If they don't meet those budgets, then in the worst cases they would be terminated."

Foster is responsible for reducing travel, which is the third-largest controllable expense for the company. It spends between \$600m and \$700m per year on travel worldwide, partly because the head offices for its diverse businesses are scattered over the globe.

Its 60,000 US employees alone make 36,000 return trips per month. No wonder the company has established an 11-person taskforce to seek ways of reducing the number of trips through video-conferencing, consolidating meetings and any other means it can devise.

Meanwhile, the travel bill has to be contained, and over the past three years the average cost per trip in the US has remained constant.



Cheaper flights to Europe

American-style, low-cost airlines continue to expand in Europe. UK operator easyJet was expected to announce today that it plans to launch services between London's Luton Airport and Inverness. It hopes to offer one-way fares starting at £29. EasyJet, which began operating less than a year ago, already flies to Scotland and other European countries.

British Airways has agreed that rival British Mediterranean Airways should operate flights to Beirut, Damascus and Amman on its behalf. The franchise arrangement will start on 26 October.

Cappuccino, espresso or latte are now on offer to first-class and business-class passengers flying with Hong Kong-based Cathay Pacific. Says the airline: "There was no technical problem with doing this. There is just that we are going through a HK\$10m (£830,000) upgrade of our passenger services - and in surveys passengers said different coffee was one of the things they wanted."

Roger Bray

THE AMERICAN EXPRESS

traveling and in sudden need of medicine that's available in Moscow, don't worry, you'll have it flown there immediately

VALENCIA, Tuesday, June 13 - Her job title read "Administrative Support," but for Rosa Barco of our Travel Service Office in Valencia, Spain, a more fitting title might have been "Administrative, Medical, Emotional and Moral Support."

She earned it when she helped a Cardmember return home to Spain from Russia for an operation (that was after arranging for medicine to be flown to Moscow) and accompanied the Cardmember's wife to the airport for moral support.

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LONDON

Following its productions of Mozart's ...

Into battle with no blood spilt

Nigel Andrews on a surprisingly uncontroversial Venice Film Festival

The most memorable sight at Venice so far has been that of Hermann Goering, wearing a powder blue greatcoat and a dozen medals, leading a full-grown lioness into his private castle.



Liam Neeson as the eponymous hero in Neil Jordan's 'Michael Collins'

hobbled by its hero. Playing the clumsy giant of Michel Tournier's original novel, a French POW who swaps sides to round up boys for the Third Reich, John Malkovich suggests Lenny in Of Mice Of Men awkwardly crossed with Peter Lorre in M.

The Proms/Richard Fairman Hot-line to Mahler

The Proms' two big nights last week - arguably the two big nights of the season - did not disappoint. Other visiting foreign orchestras this year may have slipped off the plane sounding less than their best, but the Berlin Philharmonic Orchestra confidently lived up to its reputation.

INTERNATIONAL ARTS GUIDE

AMSTERDAM

EXHIBITION De Nieuwe Kerk Tel: 31-20-6288168

ATHENS

CONCERT Athens Festival Tel: 30-1-3221360

BERLIN

OPERA Komische Oper Tel: 49-30-202600

BRUSSELS

OPERA Théâtre Royal de la Monnaie Tel: 32-2-2291200

COLOGNE

CONCERT Kölner Philharmonie Tel: 49-221-2040820

MARTIGNY

EXHIBITION Fondation Pierre Gianadda Tel: 41-26-223978

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AUCTION Bonhams Tel: 44-171-3933900

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CONCERT Lincoln Center Out-Of-Doors Tel: 1-212-875-5030

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EXHIBITION Centre Georges Pompidou Tel: 33-1-44 78 12 33

SAN FRANCISCO

EXHIBITION SFMOMA - Museum of Modern Art Tel: 1-415-357-4000

STOCKHOLM

CONCERT Stockholm Konserthus Tel: 46-8-7862000

WASHINGTON

EXHIBITION National Gallery of Art Tel: 1-202-7374215

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COMMENT & ANALYSIS

FINANCIAL TIMES

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Monday September 2 1996

The unsafe haven

Five years ago western powers used military force to establish a "safe haven" for the Kurds in northern Iraq. Inevitably this haven, shielded from the power of the Iraqi government, took on many characteristics of a separate state. Yet the powers that brought it into existence were determined not to recognise it as such.

Defence trade

Today's opening of the 1996 Farnborough air show finds the world aerospace industry in chipper mood. Airlines have bounced back into profit, producing a string of orders for new aircraft; manufacturers are talking optimistically of producing new super-jumbos and even the market for military jets seems to have bottomed out.

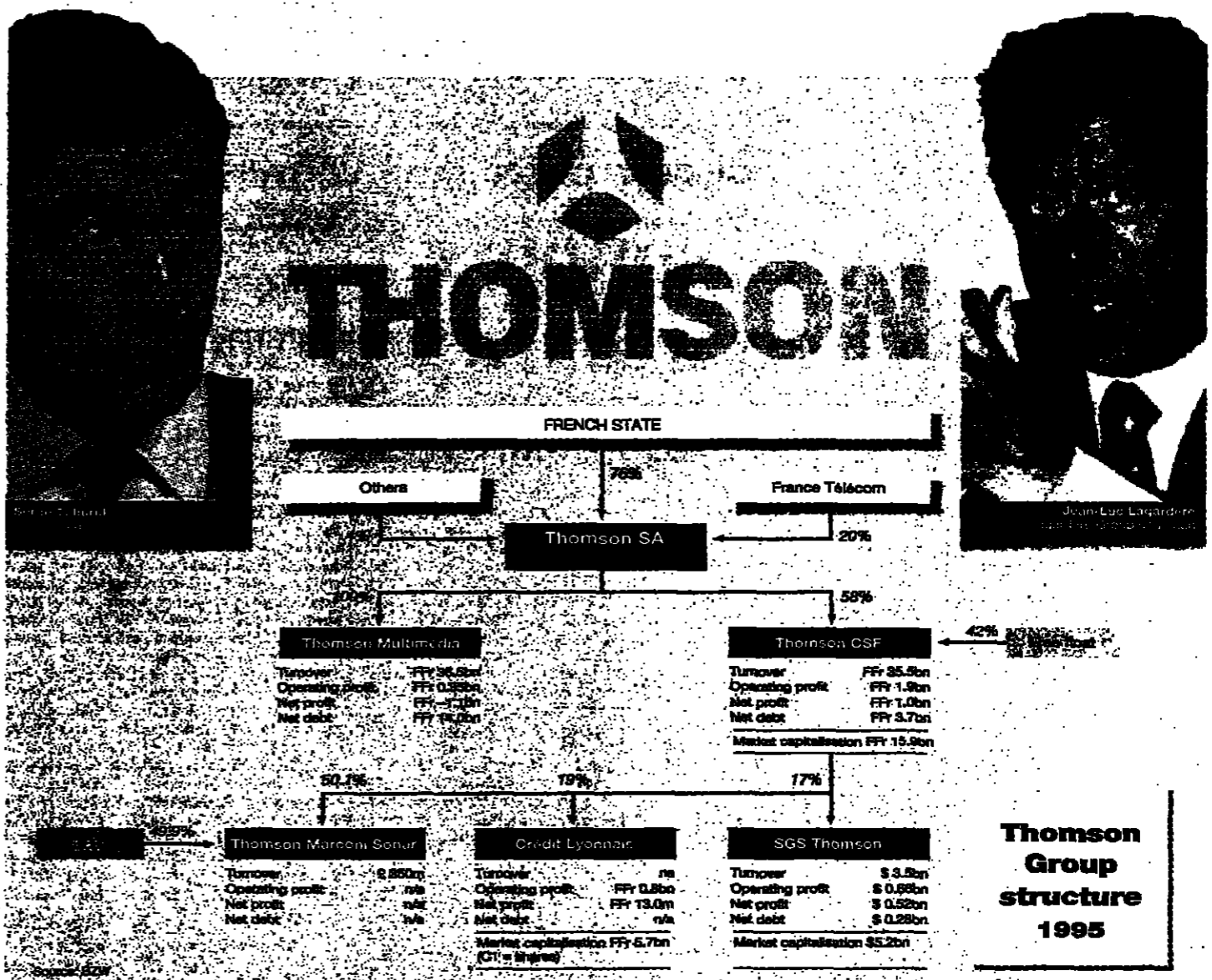
Trade and aid

The tying of development aid to procurement from suppliers in donor countries has long been condemned by critics, including non-governmental organisations and the Organisation for Economic Co-operation and Development. The commonest objections to the practice are that, by restricting competition, it reduces the value of aid, promotes economically dubious projects and discriminates unfairly between producers.

The long-awaited restructuring of the European defence industry appears finally to have begun - although the first indications of change are coming from an unexpected direction. Last Friday, the UK's General Electric Company and Alcatel of France announced they were in negotiations to pool their power engineering business with Framatome, the French nuclear power construction company jointly owned by Alcatel and the French government.

Today, at the opening of the Farnborough air show, there will be plenty of scurrying between the stands as European defence industry executives read the rums of Friday's announcement. The two teams vying to buy Thomson, led by the Lagardère Group on one side and Alcatel on the other, will also be putting the final touches to their formal binding bids for the company.

it, the French government has been prepared to be pragmatic about other international deals such as the joint ventures between Matra and British Aerospace in missiles and Matra and GEC in space systems. The deal over Thomson is thus likely to be done in two stages: first the sale to a French company to the satisfaction of all in France, and then a sanctioned second stage of integration with foreign companies.



The fight for Thomson Bernard Gray and David Owen on a battle that may determine control of the European defence industry

Many investors believe Alcatel should continue to concentrate on its restructuring rather than seeking to branch out further. Alcatel's share price has slipped from FF454 at close of trading on March 28, when it announced its intention to bid for Thomson, to below FF400, and some international fund managers are opposed outright to a bid without a much fuller explanation of how it would work.

raise the cash it needs for the Thomson bid. Not only does this suggest that the government is content for Alcatel to pitch for Thomson, it hints strongly that the government is actively concurring to that end. Correspondingly, Friday's announcement must be unsettling for the Lagardère camp. Lagardère started in an even weaker financial position than Alcatel, being profitable but much smaller than either Alcatel or even Thomson. It has tried to make up for this by rounding up partners early on: as well as signing up Daewoo to take away the television business, it has announced it would pool Thomson's substantial missile business with its newly formed missile joint venture Matra BAe Dynamics, drawing in British Aerospace.

OBSERVER

Some defence planners, not least because Paul Sannes, the brother of former president Carlos Menem, who is in jail on murder and illicit enrichment charges - allegations which have been denied - has been indicted for involvement with whom he used to be regarded as a close friend. Sannes is said to be currently working in the defence industry with a company owned by John Major's hand should end up behind bars.

Finland's foreign minister, Tarja Halonen, kicked it into touch. Behind the troika's "Plan Victoria" is the old dream of the defence union between the two countries. Sure, it's mainly a jest, they say - but it might help to promote their gender.

Sweden's crown princess Victoria. The trio - Risto Ryttimäki, Paavo Laitinen and Ilkka Pesonen - are respected types, but some Finns wonder if they haven't been a little too free with the sequit. When they first suggested such a union earlier this year, Finland's foreign minister, Tarja Halonen, kicked it into touch. Behind the troika's "Plan Victoria" is the old dream of the defence union between the two countries. Sure, it's mainly a jest, they say - but it might help to promote their gender.

Body of opinion. Did he really die here, so to speak? We thus shouldn't be surprised that Martha Susana Rodriguez has persuaded an Argentine court to examine the body of former Peronist dictator Juan Perón, which is currently being held in a morgue in Buenos Aires. Perón was reportedly (partially) dug up in 1987, 13 years after his burial. On that occasion, the unknown grave robbers chopped off his hands - one of which is still missing. The corpse of Evita was also spirited away to Italy for many years, after her death in 1952. In August this year President Carlos Menem's estranged wife Susana had the casket of Carlos Junior - who died in a helicopter crash last year - disinterred to try to establish that he had been murdered. And in 1989 the corpse of General Juan Manuel de Rosas was dug up from a graveyard in Southampton in the UK, and returned to Argentina for full ceremonial burial; 112 years after the former dictator died in exile. There are others we could cite, but life's too short.

Calling-card. Small wonder if today's trade union leaders have difficulty articulating their demands. With most negotiations bogged down in complex discussions, many of them must long for the days when the debate was simply about pay. Still, few could ever have been able to state their case more succinctly than the man orchestrating the massive public sector strike currently afflicting Zimbabwe. For the president of the Public Service Association, Union needs to be little more than an introduction. His name, Gwumore Masongore.

100 years ago. Floods in India. The monotony of long-distance travelling has been considerably relieved recently in India by disastrous floods, although hardly in an agreeable manner. A picturesque description is given in an Indian contemporary of places where the land on both sides of the railway embankment was under water for a distance of at least two miles, or as far as the eye could see through the mist caused by the falling rain. The discovery of an entire village under several feet of water is mentioned as quite an ordinary incident. Under the circumstances, it is not surprising to find that the current year has been a poor one for the Indian Railways.

50 years ago. Swedish-Russian trade plans. The proposed Swedish-Russian trade agreement, incorporating Swedish credits for the Soviet, has caused diplomatic notes to be sent from the U.S. to both countries. It is believed that the main U.S. contention is that the proposed agreement violates the principles of the February resolution of the U.N. Economic and Social Council which condemned discriminations affecting international trade. The Swedish answer says she desires to further the biggest possible international trade.

Kremlin officials will discuss peace deal

Lebed seeks support for Chechen accord

By John Thornhill in Moscow

Mr Alexander Lebed, Russia's national security chief, will today seek support in the Kremlin for his deal to end the 20-month war in Chechnya and freeze discussion of the republic's constitutional status for five years.

President Boris Yeltsin, said by aides to be resting yesterday, has asked Mr Victor Chernomyrdin, prime minister, to chair a meeting of senior officials to consider the accord.

Mr Chernomyrdin, who has supported compromise in Chechnya but is also viewed as a political rival of Mr Lebed, yesterday offered his own cautious backing for the security chief's plan.

"I am convinced we are on the right path," Mr Chernomyrdin said. "We must have courage, endurance and patience. We should continue moving ahead but Russia's interests should not be infringed."

A presidential spokesman said on Saturday that Mr Yeltsin was waiting for a "report with a clarification of the details of the agreements". Yesterday there were no fresh clues as to the president's thinking.

Mr Lebed said early on Saturday, after signing a peace deal with Mr Aslan Maskhadov, the Chechen separatists' chief of staff, that the war in Chechnya was over.

But Mr Yeltsin has so far withheld his full support for Mr Lebed's proposals and even refused to meet his envoy. Several previous truces have broken down and some serious political obstacles remain.

One of the biggest is the conflict between Mr Lebed and Mr Doku Zavgayev, head of the Moscow-backed Chechen government, over who now wields legal power in Chechnya.

Mr Lebed has urged Mr Zavgayev to resign, suggesting his authority runs no further than the airport in the Chechen capital of Grozny.

There were signs yesterday that Mr Zavgayev's administration may simply crumble as Mr Kharon Amirkhanov, Chechen deputy prime minister, resigned and called for the formation of a broader body to represent the Chechens.

But Mr Zavgayev, who has some influence in the Kremlin, has warned that Mr Lebed's peace plan will deliver Chechnya into the hands of "bandits" who will attack Moscow's friends in the region.

Moscow's position is complicated by its claim that Mr Zavgayev was elected head of the Chechen republic in a free and fair election.

Mr Lebed's peace deal may also be opposed by the more extreme Chechen commanders.

Carnaby Street for sale in UK property revival

By Jenny Luesby in London

Carnaby Street, the pedestrianised shopping street in London that became world-famous in the 1960s as the shopping place for the young and fashionable, is for sale.

The three-acre site, complete with boutiques and commercial artists' studios, is the largest block of West End property to be put on the market since the 11-acre Langham Estate was sold to the Li family of Hong Kong for \$51m (\$79m) in December 1993.

Carnaby Street is being sold by Wereldhave, the Dutch property group which acquired it in 1988 in a £282m hostile takeover of Peachey Properties, the UK property company. Wereldhave wants at least \$99m for the site.

The sale through estate managers Healey & Baker, comes at a time of increasing activity in the UK commercial property market. There has been a steady revival in rental values in the City business area and in the West End theatre district.

Carnaby Street, which is south of Oxford Street, is an unusual site. Containing 93 buildings, most of them listed as having heritage value, the estate was built in the 17th and 18th centuries and was later converted into small shops and workshops.

This fragmentation attracted the late boutiques of the late 1990s that made Carnaby Street synonymous with Britain's emergence from post-war austerity.

Rental incomes for shops in the area have risen nearly fourfold since the early 1990s, while office rents have increased more than sevenfold. Today, the estate earns annual rental income of around \$5.8m.

Last month, after more than a decade of building up shops and offices to more than 80 per cent of its real estate portfolio the group announced plans to shift into housing and apartment complexes.

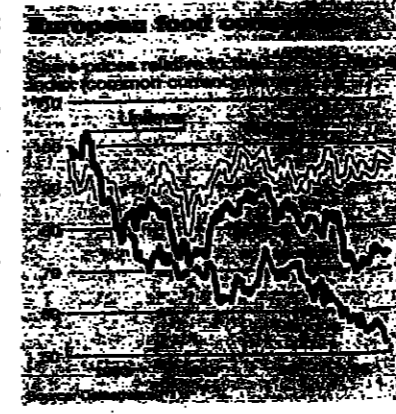
It has already disposed of a 50 per cent stake in a Dutch shopping centre and 12 separate retail premises in Belgium and the UK. The Carnaby Street estate represents a significant share of the group's £1.237bn (\$1.4m) real estate portfolio.

See Lex; Advanta to expand in UK, Page 19

THE LEX COLUMN

Changing the menu

Mr Neil FitzGerald will today start the task of setting Unilever on a more profitable course after his promotion to joint chairman. This follows the recent elevation of Mr Franck Riboud to the same role at Danone, while Mr Peter Brabeck will soon become chief executive at Nestlé.



That is a quick and dirty way of getting to a target share price. But since earnings are difficult to forecast, precisely because of their volatility, the answers are often inaccurate. Moreover, two companies with the same peak earnings may be subject to very different cycles.

Using average earnings over a cycle is more helpful, but still leaves room for error. A better alternative is to look at average return on capital over the cycle. This should be smoother through a cycle and ought to vary less between companies. And by comparing it to a company's cost of capital, investors can work out whether the company deserves to be valued at a premium or a discount to its capital base.

Not only has it suffered from the Persil Power fiasco but management has admitted its fallibility by radically altering its executive structure. Nonetheless, Mr FitzGerald will be shackled by Unilever's awkward dual company structure, which makes it tougher for an individual to implement rapid changes.

Unilever offers the most hope. Not only has it suffered from the Persil Power fiasco but management has admitted its fallibility by radically altering its executive structure. Nonetheless, Mr FitzGerald will be shackled by Unilever's awkward dual company structure, which makes it tougher for an individual to implement rapid changes.

Danone offers greater scope for improvement, with its rag-bag portfolio. Its bear and bottling businesses are cash-generative but low-growth and should be sold to fund a belated push into emerging markets for its food business.

Nestlé looks similarly immune to change. Mr Brabeck will find it hard to rebuild the house with its architect, Mr Helmut Maucher, remaining chairman until 2000. Even the long-mooted sale of its pet food division, which is a very distant third in a cut-throat market, has been frowned upon.

Of course, analysts try to overcome these difficulties. A common method is to focus on a company's peak earnings figure and put it on a price/earnings multiple at a hefty discount to the market average.

UK property

With rental growth finally coming through and prices edging up across the spectrum of the UK property market, even the normally dour Stough Estates had a spring in its step when it announced results last week. Returns on property assets should at least match equities by the end of 1996. Given the benefits of gearing, property companies have had a good run, outstripping the stock market by 8 per cent this year.

Nonetheless, discounts to net assets have shrunk to a per cent for listed property companies, compared with close to 15 per cent in January, so valuations already look a little stretched. Rental growth remains patchy and fresh demand - such as Citibank's UK Headquarters in Canary Wharf - has been directed at new developments.

Speculative developers from Mr Dieter Bock to Mr Godfrey Bradman, are also reappearing as memories of the early 1990s collapse begin to fade. Some of this new supply will be offset by conversions of old office blocks into flats or hotels - but only in very limited areas.

The great hope for the sector is increased institutional buying of property assets. In theory, the anticipated development of property unit trusts and property derivatives will make property investment more liquid and therefore more attractive. But until these new instruments are themselves easily tradable, a step-up in investment remains unlikely.

IMF credit

Continued from Page 1

Three. This would follow existing practice for the GAB, the IMF and Working Party Three would also monitor the policy performance of countries benefiting from the arrangement, while the BIS - the central bankers' bank - could help provide the necessary money quickly.

The BIS and Working Party Three were originally established by the contributors to the GAB who have rebuffed attempts by non-G10 nations to join. These non-G10 countries - notably Spain, Austria and Australia - are reluctant to commit money to the new credit line if it is to be overseen by organisations to which they do not belong.

Emu delay

Continued from Page 1

exchange rate regime linking the Euro and the peripheral currencies.

Mr Marc Blondel, secretary general of France's powerful Force Ouvrière trade union, sought to put pressure on the government yesterday warning that it faced "the same situation as last year" - when the country was virtually paralysed by a public sector strike.

Philippines set for 'tiger' growth rate

By Edward Luce in Manila

The Philippines looks on target to reach the growth rates of the Asian "tiger" economies, according to economists in the region, after figures released at the weekend showed gross national product growth accelerating to 7.1 per cent in the first half of 1996.

Led by a 20 per cent surge in exports over the first six months of 1996 and a strong rise in remittances from the country's estimated 4m overseas workers, the Philippine economy grew by an annual rate of 7.6 per cent in the second quarter of this year and by 7.1 per cent in the first six months as a whole. This performance comfortably outstripped the 5.8 per cent GNP growth posted in 1995.

Local economists said the country was on course to become the fastest growing economy in Asia by 1998. A low debt service ratio and falling inflation meant there was little danger the economy would revert to the "boom-bust" cycle of the 1980s. With rising investment, the Philippines was probably on track for "tiger" status as its growth rate overtakes that of other

countries in the region, the economists added.

"All the economic indicators are pointing in the right direction," said Mr Srinivas Madhur, an economist at the Asian Development Bank in Manila. "Inflation is falling while investment and exports are rising. We expect the growth rate to continue accelerating over the next few years."

The figures provide further good news for President Fidel Ramos, who is to sign a peace treaty today with the country's Muslim minority to end the country's 24-year-old civil war. The agreement, which creates an autonomous zone in the south of the country for the Philippines' 5m Muslims, is expected to cement the country's new political stability.

Private sector economists had predicted 6.4 per cent GNP growth for the first half of 1996.

Overall investments, led mainly by a strong increase in Japanese and Taiwanese electronics investment, grew by 8.2 per cent in the first half. The construction sector, which continued to profit from the three-year-long real estate boom, expanded by more than 10 per cent.

US warns Iraq over attack on Kurdish 'safe haven'

Continued from Page 1

weekend it had no plans to remain in the region and would withdraw its troops. Mr Talabani said that Iraqi

jets had crossed the no-fly zone and bombed his forces near Arbil, and hinted he might seek Iranian help. "We are going to wait some days, or let us say one week, to see what

the reaction is of the US and the west," he told BBC radio. "If the west betrays us... we will surely turn to anyone who is ready to help us."

The KDP and Baghdad said their operation was prompted by an incursion of Iranian troops, which had crossed into Iraq to help Mr Talabani and occupied a border area. The FUK and INC denied this.

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